

Chill Brands Group PLC
Annual Report and Consolidated Financial Statements
For the year ended 31 March 2024



CHILL BRANDS GROUP PLC

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

**ANNUAL REPORT AND CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024**

Company Registered Number: 09309241

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Officers and Professional Advisers

Directors	Callum Sommerton Aditya Chathli Graham Duncan Nicholas Tulloch
Company Secretary	MSP Corporate Services Limited
Registered Office	Eastcastle House 27/28 Eastcastle Street London W1W 8DH
Independent Auditor	PKF Littlejohn LLP Statutory Auditor 15 Westferry Circus London E14 4HD
Brokers and Financial Advisors	Allenby Capital Limited 5 St Helen's Place London EC3A 6AB
Solicitors	DMH Stallard LLP 6 New Street Square New Fetter Lane London EC4A 3BF
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Company Website	www.chillbrandsgroup.com
Product Websites	www.chill.com

CHIEF EXECUTIVE'S REVIEW AND STRATEGIC REPORT

Introduction

I am pleased to present the Group's results for the financial year ended 31 March 2024 ("FY24" or the "Period"), a year marked by substantial operational progress against the backdrop of challenging conditions in both the capital and consumer markets.

During the Period, Chill Brands achieved a number of significant commercial milestones, most notably the launch of our Chill ZERO nicotine-free vape products in the UK market. This initiative drove a material increase in revenue from £82,840 to over £1.9 million, while reducing our overall loss from £4.2 million to £3.4 million.

While the progress made during the financial period has been somewhat overshadowed by proposed regulatory changes in vaping and corporate challenges after the year end, the advancements made by the Company demonstrate our ability to secure distribution in a competitive consumer market and deliver in-demand products that generate value for the Company and its shareholders.

Our pivot from a prior focus on CBD products to our current base of business exemplifies the Company's adaptability in the face of market changes. This proven ability to evolve while maintaining strong retail relationships gives us confidence that we can continue to utilise our sales and distribution capabilities to take advantage of trends in highly regulated market segments. When operating in a complex regulatory environment we will need to rely on that same agility in identifying and pursuing emerging opportunities to enable us to adapt to future market dynamics. This is particularly true following a period of regulatory change for the Company's core range of vaping products and a year of corporate and legal hurdles. After its recent history, the Company must now focus on creating long-term value by strengthening its distribution network, establishing a scalable platform that remains a constant asset irrespective of future shifts in product category or consumer trends.

I acknowledge that this report comes much later than the customary reporting timeframe, however this delay reflects a period of significant upheaval both during and after the financial year. The Company has faced and overcome substantial challenges during this time, emerging as a resilient organisation with strengthened governance through the involvement and input of experienced capital markets professionals who now populate the Board. In navigating this turbulent period, we have developed robust foundations for future growth. This report therefore aims to provide a comprehensive overview of the events and factors that shaped our year, their impact on our business, and importantly, how they inform our strategy and prospects going forward.

Overview of the Financial Year

The Period began with the foundations already laid for us to execute on our strategy which had developed during the previous year from a focus on CBD products towards an interest in the wider wellness and alternative products market. Prior to FY24, we had successfully launched our first-generation 600-puff nicotine-free disposable vapes in the US market, where our team had started to establish distribution channels. February 2023 marked our first step into marketplace operations, with the introduction of our inaugural third-party brand products on Chill.com, cementing our commitment to developing a comprehensive e-commerce platform.

We entered the year well-capitalised, supported by new investors focused on providing growth capital for our twin objectives: the development and commercialisation of our vape products, and resourcing marketing initiatives to drive relevant consumer traffic to the Chill.com e-commerce website.

A significant milestone was reached through our partnership with The Vaping Group to develop our UK distribution model. This collaboration included the establishment of a dedicated field sales team to build a network of

independent retail stores, complemented by comprehensive marketing support – key operational areas that were taken back in-house during the final quarter of 2024. Relative to our status as a fledgling brand with a new product, our Chill ZERO range quickly gained traction following its UK launch in August 2023, with our focus on nicotine-free products filling a largely overlooked market niche.

This early success paved the way for the rapid expansion of our UK retail presence. In October 2023, just months after launch, we secured listings in high-footfall WH Smith travel stores, providing valuable exposure for building brand recognition. This was swiftly followed by our launch on Amazon.co.uk and the commencement of distribution partnerships securing the sale of our products into Morrisons supermarket and convenience stores, as well as Rontec forecourt locations operating under various major fuel retail brands including Shell, BP and Esso. By the end of the Period, our products were available in thousands of retail locations across the UK.

Despite a successful launch and strong retail distribution partnerships, our first foray into the UK vape market came amidst tempestuous conditions in the domestic vaping industry. After months of adverse media coverage largely focused on illegitimate operators and their non-compliant products and activities, the landscape shifted dramatically in January 2024 when the UK government announced its intention to ban disposable vape products. This effectively paused our efforts to expand our distribution network with additional major retailers, as many procurement departments stopped to reassess their approach to the industry. These circumstances were also partly responsible for delays in the receipt of a proportion of funds owed to the Company in connection with sales made into major distribution channels, a portion of which in the spirit of prudence we have chosen to make a provision for in these accounts despite our confidence that those outstanding funds remain recoverable. The majority of the remaining balance due to the Company was remitted between April and October 2024, and the Company continues to work with its distribution partners to create a path forward that will recover residual values owed while maintaining as broad a route to market as possible in an industry that has been rocked by regulatory change.

In light of the apparent trajectory of the UK and European vaping industry, we began to make early-stage plans relating to the development and release of new non-disposable vaping products. During this same period, the Company made good headway with distribution into Smoker Friendly Stores, which despite reduced sales compared to previous periods established a market for our vaping products in the United States where no comparable restrictions on disposable devices existed.

Parallel to our vaping business, we continued to develop the Chill.com e-commerce marketplace. What began with a single third-party brand, Mad Tasty, in February 2023, has grown into a diverse collection of both new, emerging and market-leading brands from the US and UK. Our product offering expanded well beyond our original CBD focus to encompass the broader wellness category including nootropics, nutritional supplements, sleep aids, and various other products.

The Period also saw important developments in our capital structure, including the completion of the Company's prospectus and the conversion of CLNs into shares, as planned since our 2022 fundraising. Despite challenging market conditions and negative media sentiment surrounding vaping, we engaged in additional fundraising activity in January 2024, demonstrating continued investor confidence in our strategic direction.

Vaping: Market Entry and Operational Progress

The Company's expansion into the vaping industry was an organic development stemming from our endeavour to create and launch a product focused on tobacco and smoking cessation, while ensuring compliance with regulations in our primary markets.

In early 2023, the Company launched a nicotine-free disposable vape product in the United States, featuring a 2-milliliter tank delivering roughly 600 puffs per device, with three initial flavours. The device was designed to be

legally sold in the United States without the need for a costly Premarket Tobacco Product Application (PMTA), which would have been required for a device containing nicotine or capable of having nicotine added to it. Subsequently, the Company developed devices for the UK market, which were also nicotine-free disposable vapes. These included a 4-milliliter 1500 puff device and a 7-milliliter 3000 puff device, both available in five flavours. The high puff count of these products was a unique selling point since a product containing nicotine would be confined to a tank size of 2-milliliters, limiting it to delivering roughly 600 puffs.

The UK launch of our Chill ZERO nicotine-free vape products in August 2023 marked a pivotal moment for the Group. Through strategic partnerships and focused execution, we rapidly secured distribution across significant retail channels including WH Smith travel stores, Morrisons supermarkets and convenience stores, and Rontec forecourt stores. This swift market penetration demonstrates both the appeal of our products and the effectiveness of our aggressive commercial strategy when applied to a high-growth product category.

The UK vaping market is valued at more than £1.7 billion (although some statistics place its value much higher) and comprises over 4.5 million users. Within this market, and in a relatively short space of time, Chill ZERO has established itself as a leading nicotine-free brand available in mainstream retail channels. This validates our strategic focus on this growing but niche segment and, while sales of nicotine-free products represent a small proportion of the overall vaping market, there is a clear demand for them both from retailers and their customers.

While demonstrating the potential of our business model, the rapid expansion of our distribution network required significant capital investment, particularly in the form of slotting fees and the resourcing of personnel and marketing collateral. We operate in a highly competitive landscape alongside long-standing businesses, some with over a century of market presence and in particular the traditional ‘big’ tobacco companies who possess substantial resources to deploy in this sector. Despite our comparably limited reach, we have successfully carved out our position through a unique proposition, focused strategy and efficient execution.

As explained below, the regulatory changes that coincided with the launch of our products into mainstream retail channels created a highly disrupted market environment, leaving us without sufficient time in stores during orderly market conditions to secure material re-orders from major distributors. Upon news of the regulatory shift, retailers rapidly switched their focus toward damage limitation and evaluating their next steps beyond disposables, leaving limited time for the usual commercial follow-through. Despite this, we have maintained our retail relationships and, importantly, established the Company as a credible operator within this tier of national distribution. This experience has broadened our commercial reach and, while any future retail rollout will come with its own costs of renewal - particularly in major supermarket channels - we believe we are now better positioned to secure wide-scale retail distribution in future product cycles.

Looking ahead, we consider it important to engage consumers earlier in their tobacco cessation journey, which may necessitate the launch of products that contain nicotine. As regulators tighten controls on the marketing and positioning of vaping and nicotine products, it is also clear that brand name and visual design alone may no longer be sufficient. To compete effectively, we will need to deliver something genuinely novel, whether in format, formulation, or function. We remain confident in our ability to do so, but this will require time, investment, and careful execution. For this reason, we have continued to diversify the Company’s interests by working closely with partners and customers, allowing us to support their growth through our established network while simultaneously generating value for our own business.

Regulatory Changes and Retail Trends

The wider vaping market has experienced significant turbulence, particularly following media attention and regulatory scrutiny regarding disposable vapes. The UK government's January 2024 announcement of proposed restrictions on disposable vapes presents both challenges and opportunities. We have been proactive in our response, focusing on the development of compliant, reusable vape products and seeking collaboration opportunities with

external brands to broaden our exposure both to vape products and other products in the fast-moving consumer goods category. We have also expanded our product portfolio to include vape e-liquid products that were first launched during March 2025.

The regulatory landscape continues to evolve, with the UK government's announced ban on disposable vaping having taken effect on 1 June 2025. While this will impact our legacy generation of Chill ZERO products, we continue to advance our plans to distribute new rechargeable, reusable pod devices. We have also developed the aforementioned nicotine-free e-liquids specifically targeted at specialist vape stores and their consumers. Our aim is to ensure that our product offering can translate into a wide and varied distribution network spanning both the mass market of supermarkets and convenience stores, along with more specialised channels such as vape stores and pharmacies. We have already commenced sales of new, fully compliant rechargeable pod-based vaping products and expect to continually expand and evolve the range of products we distribute in this category, whether through the release of our own proprietary innovations or in collaboration with trusted partners.

We have broken into the market, gaining recognition among trade customers who understand our focus on cessation products that provide low or no nicotine strength options. Direct conversations with some retailers reveal that we are their preferred choice for zero nicotine products, which are increasingly seen as an essential part of a comprehensive vaping range. This foundation of brand awareness provides a solid platform for us to continue building our name and expanding our offering.

We have observed significant shifts in both retailer preferences and consumer behaviour during the Period. The market has seen increasing demand for larger multi-pod devices, alongside a surge in the popularity of oral nicotine pouches. While we anticipate that the pouch market will likely face regulatory scrutiny in the near future, we see significant opportunity within this segment. Rather than developing our own products in this category, we intend to explore these opportunities through partnerships with third-party brands who can benefit from exposure to our growing network and the expertise of our sales team. This approach aligns with our broader strategy of leveraging our distribution capabilities and market presence to create new revenue stream, which I will elaborate on further later in this report.

Looking ahead, we will continue to focus on vaping products, particularly in the low and no-nicotine segment. There are interesting parallels to be drawn with the evolution of the low and no-alcohol beverage market. Not long ago, alcohol-free alternatives were dismissed as an uncommercial fad, yet today they command significant shelf space in every major supermarket, with dedicated aisle sections and premium positioning. This transformation reflects a broader societal shift towards healthier lifestyle choices and increased consumer demand for alternatives to traditional products. We see similar potential in the nicotine-free vaping category. Just as consumers now actively seek out alcohol-free options for social occasions or as part of a balanced lifestyle, we believe there is growing demand for no and low-nicotine alternatives in the vaping sector. This parallel gives us confidence in our strategic focus and the long-term commercial viability of our position in this ever-changing market.

Chill.com – Developing an Online Wellness Destination

During the Period, we made significant progress in expanding our e-commerce marketplace on Chill.com, growing from a single third-party brand in February 2023 to now hosting more than 65 brands offering hundreds of products. This expansion in brand partnerships reflects a clear market demand for additional digital sales channels from both wellness brands from market leaders to ambitious start-ups, all seeking to improve their reach through exposure to new consumers.

The evolution of our marketplace strategy is rooted in our experience of the market dynamics of consumer products. Our origins as a CBD company provided valuable insights into how wellness trends operate cyclically, with various ingredients and product types moving in and out of consumer favour. CBD, often cited as a wellness trend,

exemplifies this pattern. While we maintain our belief in CBD's potential and continue to value this market segment, we recognise that building a business solely exposed to any one such cyclical trend does not provide a foundation for reliable, sustained growth. These trends are often characterised by speculative bubbles, leading to volatile boom-and-bust cycles that can be challenging for product manufacturers and brands. Our marketplace approach represents a more balanced strategy - rather than committing significant resources to product development across multiple categories, we can provide a platform that showcases a diverse range of wellness products and brands. This model allows us to capitalise on emerging trends and benefit from consumer interest in various wellness categories, while significantly reducing our exposure to the inherent risks of product development and inventory management. When certain ingredients or product types gain popularity, our marketplace can quickly adapt to meet demand, and when trends subside, we can pivot without the burden of obsolete stock or stranded development costs.

The willingness of brands to join our platform proves out our marketplace model, but also highlights the potential we must now work to realise. A successful e-commerce marketplace requires several key elements: a diverse and quality product selection, which we have now established; an intuitive user experience; efficient fulfilment capabilities; and most critically, a steady flow of engaged consumers. While we have accomplished the first of these elements, we recognise that attracting and retaining customers requires significantly more focus and resources.

Our marketplace currently operates on a dropshipping model, where brands integrate with our e-commerce website. When an order is placed, we process the payment and route the order to the respective brand for fulfilment, taking a commission from the sale. This approach is functional and allows us to offer a wide range of products without holding large inventories. However, the dropshipping model has its drawbacks. Leading marketplaces like Amazon operate their own fulfilment centres, giving them control over many aspects of the consumer experience and associated logistics. They can ship orders containing multiple products from different brands in a single box with the same courier, saving on shipping fees. They also control packaging standards and simplify the returns process.

Recognising these advantages, we are exploring ways to achieve a similar approach to fulfilment on a smaller scale. This will likely involve setting up our own fulfilment facilities, where brands would need to allocate inventory. While this approach offers greater control over the consumer experience, it also comes at a higher cost than dropshipping. Moreover, it requires brands to buy into the platform on a deeper level, as they would need to allocate inventory to our facility without us purchasing it. Despite these challenges, we believe that this model could enhance our service quality and provide a more cohesive and efficient experience for our customers.

We must also be candid in acknowledging that while we have succeeded in creating an attractive platform for brands, we have not yet achieved the level of consumer engagement necessary for the marketplace to reach its full potential. Simply waiting for organic growth will not be sufficient to achieve our ambitions for the platform. This requires dedicated attention and appropriate resource allocation to drive meaningful traffic and conversion.

Historically, our e-commerce marketing efforts have been hampered by material restrictions from major platforms regarding the promotion of CBD products, vaping products, and other regulated items. These constraints have limited our ability to deploy traditional digital marketing techniques effectively. However, we have now identified viable solutions to overcome these challenges and have developed a comprehensive marketing strategy that we are in the process of implementing.

Looking ahead, we are committed to resourcing a full range of marketing activities to drive traffic and engagement. This includes a renewed focus on search engine optimisation, an expanded content creation programme designed to attract and inform potential customers, and targeted pay-per-click advertising campaigns to reach relevant audiences.

We are also developing programmes to drive awareness and engagement with Chill.com by partnering with gyms, offices, and other similar venues to provide membership benefits. During the final quarter of the 2024 calendar

year, the Company engaged with over 100 branches of one of the UK's leading gym brands, each of which was keen to offer exclusive, limited-time Chill.com discounts to their members. While these initiatives will require ongoing investment, we view this expenditure as critical to unlocking the value of our digital asset and establishing Chill.com as a destination for wellness consumers.

As I commented in our annual financial report for the period ending 31 March 2023, the growth and development of the Chill.com marketplace remains a long-term endeavour. If scale (both of user numbers and sales volumes) can be achieved, the project has vast potential. Goop, the luxury lifestyle and health marketplace, reportedly generated £81,000 of sales in 2011 but has since increased that figure to many millions of pounds each year. While celebrity endorsement has certainly been a factor in their success, it is clear that there are other parts of the formula that we can and should follow. It is incumbent on us to chase growth by enticing more relevant consumers to our site by delivering more engaging content, more frequently and across more platforms than we have done in the past.

Events After the Financial Period

While the Financial Period itself was highly significant for Chill Brands, the dramatic events in the months immediately following have been extremely tasking on the Company and its investors.

The chain of events commenced in mid-April 2024, when the Company received a requisition letter from its largest shareholder, Jonathan Swann, seeking by way of shareholder vote to remove Antonio Russo and Trevor Taylor, and to instate two new directors in their place.

Following the announcement of this requisition notice, the Board at the time took the decision to suspend me as the Company's CEO pending an investigation into allegations relating to the use of inside information. This investigation ultimately determined that the allegations made were unsubstantiated and absolved me of wrongdoing, but not before both the Company and I had attracted significant adverse media attention and coverage. I was reinstated on 4 June 2024 after a new Board of Directors had been constituted following a shareholder vote which resulted in the removal of our previous Chief Commercial Officer Antonio Russo and Chief Operating Officer Trevor Taylor, and the appointment of Non-Executive Chairman Harry Chathli and Finance Director Graham Duncan.

The Company's shares were suspended from trading on 3 June 2024, a day prior to the General Meeting and the constitution of the new Board. This suspension was at the Company's request as the directors actively managing the business at the time were unable to provide the market with an accurate update regarding the Company's trading status. This suspension continued as the newly constituted Board could not issue a trading update until such time as it had resumed control of, and access to, the Company's bank accounts and financial records – thereby enabling the Board to provide an accurate update regarding the Company's financial and trading position. This was a protracted process as a result of the Company's legacy banking providers determining that they would no longer offer banking facilities to the business. This prevented the Company from issuing payments to vendors and effectively halted most trading activities for a period of time. While the Company has ultimately been able to secure alternative banking facilities, these challenges delayed our ability to continue with the audit process and publish our annual financial report for the Period by the required reporting deadline of 31 July 2024. The suspension of the Company's shares has therefore been ongoing pending the completion and publication of our 2024 annual financial report.

Logistical issues relating to the transfer of company management and third-party providers were not the only challenges for the new Board. It was identified that a transfer of the Company's largest asset, the Chill.com domain, had been effected alongside the transfer of other cash assets prior to the 3 June 2024 General Meeting and the constitution of the new Board. This discovery prompted the Company to instruct leading US Counsel to commence legal action in the U.S. District Court for the District of Colorado on 24 July 2024. The legal action concluded in December 2024 with an out-of-court settlement between the Company and its former Directors, Antonio Russo and

Trevor Taylor. As a result, the Chill.com domain and related trademarks are now under the Company's ownership and management.

I do not have any further useful comment to provide on this matter. It is in everyone's best interest to move forward after this challenging episode, and we are pleased to have avoided a more protracted legal battle. The Company can now focus its time and resources on the development of its business. What's done is done, and we can now channel our efforts towards future growth and opportunities.

New Opportunities and a Refined Operating Model

Since my reinstatement, I have been working diligently with the new Board of Directors to put the Company back on an even footing. Our internal challenges, coupled with the volatility in our industry over the past 18 months, have given us significant pause for thought regarding our future direction. This period has prompted us to reassess and redefine our corporate governance structure and our broader vision for the business, ensuring that we are well-positioned to develop Chill Brands into a performing asset that delivers value for all shareholders.

On a corporate level, we have elected a non-executive Chairman in Harry Chathli and re-established audit, remuneration, and nominations committees. We have also welcomed the Company's former CEO from 2019-2020, Nick Tulloch, to the Board as an independent non-executive Director, following the resignations of Eric Schrader and Scott Thompson on 7 June 2024 and 30 September 2024 respectively. Nick brings with him a wealth of listed company and capital markets experience, alongside knowledge of the Company's history. We have also been working to establish new, more robust financial controls, bookkeeping, and financial reporting functions under the guidance of our finance director, Graham Duncan.

There have also been major operational changes for Chill Brands. One of the most notable adjustments is that we have taken our UK sales team in-house, having previously relied on The Vaping Group to provide us with a swift route to market and activation of our new brand. This strategic move allows us to save costs by hiring directly and grants us complete control over this critical human resource. Given the extensive changes and shocks to the vaping industry in recent times, having an in-house team enables us to scale flexibly in line with market conditions, ensuring that we can respond swiftly and efficiently to industry dynamics.

Furthermore, this transition has opened up new income opportunities for Chill Brands. As highlighted in this report, wellness trends are cyclical, bringing a constant influx of new products and active ingredients that require effective exposure and distribution to succeed. This need is as pertinent in the retail world as it is online, where our solution is the development of the chill.com marketplace. Just as they may struggle with generating online sales, many brands often lack the resources, knowledge, and connections to establish a solid retail distribution footprint. Having launched our own brand in the UK market, and in a challenging and often controversial industry, we have developed substantial expertise and networks. We can now leverage this asset by contracting with other brands, providing them with sales personnel, contacts, and a route to market for a monthly fee. This not only provides recurring revenue to Chill Brands but also offers the potential upside of commissions from sales generated through strong performance. Our catalogue approach, where our sales personnel build a distribution network into which multiple complementary products can be sold, allows us to offer this service at an affordable rate, making it accessible to a wide range of brands who may not be in a position to resource a dedicated sales team.

We have achieved early traction with this new business activity, securing a number of clients, including leading suppliers of oral nicotine pouches, a European brand launching a line of sugar-free energy drinks, and a prominent vape e-liquid brand. Our ongoing efforts to develop our pipeline and attract additional potential clients are very promising and we expect this business-to-business revenue stream to make a substantial contribution to the Company's financial growth. Partnering with third party brands also provides an opportunity to diversify our offering, helping to ensure that we are not solely exposed to the unpredictability of the vape market.

Besides enabling us to identify and pursue new opportunities, this period of reflection has also provided us a chance to assess non-performing elements of the business. The Company now intends to shutter its US retail operations while it focuses on developing its core business. The vaping market in the United States is particularly tough due to the patchwork of regulations and the approach taken by the US Food and Drug Administration, which imposes the obligation of a costly PMTA on any brand wishing to sell a product containing, or even capable of containing, nicotine. These difficulties have a major impact on the industry, making it difficult for businesses to plan for the future. This has led to the closure of many, including the Company's primary US distributor based in Denver. However, there are shoots of hope as a number of legal challenges to the status quo have been mounted, including some reaching the Supreme Court. We are actively working to identify distribution partners in the US and, on a longer-term basis, operators for a business unit there. In the meantime, however, we will focus on development in the UK and Europe – believing it better not to stretch our limited resources over multiple territories and in doing so deny each the full and proper attention they deserve.

Strategic Outlook

The 2024 financial period was marked by substantial growth for Chill Brands, despite the turbulence faced in its core market of vaping and corporate challenges post-year-end. Once again, the business has faced adversity and external headwinds during the critical early stages of its journey into the consumer goods sector. The Company has had to continually reinvent itself to survive and remain relevant, rather than finding itself able to rely on the compounding effect of slow but stable growth. This would not have been possible without the continued support of investors, and I believe the Company's adaptive approach can be viewed positively. This ability to pivot has allowed the Company to remain trading and pick up various assets and strengths along the way. During this Period, the Company developed UK business infrastructure and built a robust retail network that will enable it to capitalise on opportunities relating to current and future vaping products while diversifying into other categories of consumer goods.

Looking ahead, Chill Brands is now positioned with three clear divisions, each with distinct growth potential:

1. **Chill-Branded Vaping Products:** our focus within this remains the development and distribution of compliant, reusable vape products and e-liquids for the UK market – both under our own brand and those of external partners. This builds on our successful entry into the vaping sector while adapting to evolving regulatory requirements.
2. **Chill.com E-Commerce Marketplace:** With renewed focus on driving traffic and user engagement, our Chill.com platform represents a significant opportunity for growth after the onboarding of a multitude of brands during and after the Period. Enhanced marketing efforts, including paid advertising initiatives, aim to unlock the full potential of this digital asset.
3. **Third-Party Brand Distribution:** Leveraging our established retail relationships and sales expertise, we are expanding our role as a services business, representing other brands in the UK market. This division has already experienced promising growth into categories such as oral nicotine pouches and energy drinks, providing an additional revenue stream without incurring the costs of developing and launching these products ourselves.

This summary distils the focus of our business into three core areas, yet the Company is more complex than it may appear due to the legacy left by its previous iterations. Until relatively recently, we were still addressing administrative matters related to the former oil and gas operations of Highlands Natural Resources, while also concluding the feminised hemp seed project initiated in 2019, when CBD-rich hemp seeds were in high demand. While addressing these legacy issues has at times been difficult, it has also brought some associated benefits. Notably, during the latter part of 2024, after the end of the Period, the Company reached an agreement with a former project partner for the return of more than \$40,000. These funds, connected with maturing bonds issued in relation

to natural resources sites in Colorado, provided welcome financial support. Despite these legacy issues, we remain determined to push ahead with a more focused and streamlined approach as outlined in this report.

Although challenges remain, the entire Chill Brands team remains driven to develop the Company into the scaled, stable business that it ought to be. We are committed to growth and will execute on the focus areas I have outlined in this report while continuing to adapt to the ever-changing market landscape. We are dedicated to building a robust and resilient company that can weather industry fluctuations and emerge stronger, ensuring long-term success for our stakeholders.

I would like to extend my gratitude to our shareholders for their ongoing support and look forward to brighter times ahead.

A handwritten signature in black ink, reading 'C Sommerton'. The 'C' is large and stylized, with the first name 'Callum' and last name 'Sommerton' following in a cursive script.

Callum Sommerton

Chief Executive Officer – Chill Brands Group PLC

EXECUTIVE'S FINANCIAL REVIEW

During the Period, the Group concentrated on the launch, marketing, and distribution of its nicotine-free vape products. Alongside this, efforts were made to develop an online e-commerce marketplace for wellness products from third-party brands, accessible on the Company's the Chill.com website. The Company significantly ramped up its distribution efforts during this time, particularly in the UK, where it established critical sales and distribution infrastructure for the first time.

The Group recorded a reduced loss for the year of £3,370,293 (2023: £4,312,132), a 22% decrease that is largely reflective of Chill Brands' improved sales performance during the Period. The Period also saw the Group generate a gross profit on the sales made of £472,810 (2023 loss: £206,859). While the Group made an overall loss, the Period was the first since the year ending 31 March 2020 in which the Group was able to achieve a gross profit on the sale of its products.

The loss recorded during the Period can be primarily attributed to the ongoing costs associated with the Company's operations and maintaining its listed status. Additionally, significant investments were made in the development of new business activities, particularly the establishment of distribution networks in the US and UK for the Company's nicotine-free vape products. These strategic expenditures are essential for positioning the Company for future growth, despite their impact on the current financial results.

During the year, the Company undertook significant commercial activities that reflected a strategic shift away from its legacy interests in CBD towards the sale of vape products. The first batch of these products was introduced in the US at the end of March 2023, just prior to the reporting period. This launch laid the groundwork for the Company's future endeavours in the vape product market and demonstrated that there was a demand amongst relevant consumers for nicotine-free alternatives to more standard vape products containing nicotine. Throughout the Period the Company continued to expand the distribution of its vape products in the US, including through Smoker Friendly stores. The Company supported the launch of its product with promotional offers to secure consumer trial, along with visits to individual retail stores and regional meetings of convenience location operators to educate them on the products and facilitate informed conversations with consumers. As explained elsewhere in this report, and due to a combination of factors including the corporate challenges that have limited our operational capacity in the US and the need to allocate resources where they are likely to generate the greatest return, the Company expects to place less strategic emphasis on the US market in the near term.

In May 2023, the Company extended its reach by entering into an agreement with The Vaping Group to provide comprehensive sales and distribution services in anticipation of a UK launch of the nicotine-free vape products. This collaboration was crucial as it enabled the Company to leverage a specialised UK field sales team, secure warehousing, and efficient fulfilment of both online and offline orders. The Vaping Group's focus on the independent convenience store market aligned with the Company's objective to penetrate this specific retail sector. The Vape Group also provided marketing services, including email marketing campaigns, representation at trade shows, and advertising in digital and print media. In Q4 2024, the Company brought its UK sales function in-house to build on the groundwork laid by The Vaping Group. Establishing these capabilities internally has since enabled the Company to diversify its operations by offering sales and distribution services to third-party brands, further leveraging its growing retail network.

The importance of having a turnkey launch cannot be overstated. This partnership allowed the Company to swiftly establish its UK operations, a feat that would have been challenging given that the Company had not previously developed its own UK trading infrastructure. Historically, the Company's commercial focus had been almost entirely on the US market. The Vaping Group's infrastructure enabled the Company to stand up the UK operation efficiently and effectively, ensuring that the nicotine-free vape products were introduced smoothly to the market upon their launch in August 2023.

As a result of these efforts, the Company was able to quickly gain a foothold in the UK market, developing distribution networks that increased its store distribution footprint from a fresh start in August to more than 2,365 committed retail stores in less than a year. This included arrangements with the leading distributor of vaping products, Phoenix 2 Retail, which saw the Company's products sold into WH Smith travel stores, Morrisons stores, and Rontec forecourt stores. Each of these landmark retail accounts came with an associated slotting fee, as is typical for brands entering established high street retail stores. Sales into these major retailers accounted for the majority of sales made during the Period, during which the Company delivered the products. The regulatory changes and resulting market upheaval in the vaping sector contributed to delays in the receipt of payments from certain distribution partners, particularly in relation to sales made through major retail channels. These disruptions created uncertainty across the supply chain and led some partners to adopt a more cautious financial posture. The majority of the outstanding amounts due to the Company were remitted between April and October 2024. The Company continues to work collaboratively with its distribution partners to recover residual balances while preserving and strengthening its access to key routes to market during a period of ongoing industry transition.

Revenue

During the Period the Company recorded revenues of £1,908,020 (2023: £82,840), a 23-fold increase. The material increase in revenue is largely a result of the sales of the Company's nicotine-free disposable vape products, which were launched in the UK during August 2023. A significant portion of this revenue comes from sales into WH Smith's travel stores, Morrisons supermarkets and convenience stores, and Rontec-operated forecourt stores – all of which were facilitated through a distributor relationship with Phoenix Wholesale and Distribution. Additionally, sales were made into independent retail stores including convenience stores, pharmacies and specialist vape shops. In the US, the Company's nicotine-free vape products were predominantly sold into Smoker Friendly stores. While there were online sales both through Amazon.co.uk and the Company's own chill.com website, they did not constitute a material part of the Company's overall revenue during the year.

Certain trade receivables remain outstanding following the end of the Period. Due to recent changes in the vaping industry, which have impacted distributors and retailers, the Company has agreed to offer extended and flexible payment arrangements to these remaining debtors. The Company maintains confidence in the recoverability of these trade receivables and believes that the adjusted payment terms will facilitate their eventual collection along with a positive ongoing relationship with these key distribution partners.

In line with the Company's commitment to prudent financial management and in accordance with applicable accounting standards, an expected credit loss provision of £180,000 has been recognised in respect of outstanding receivables from a major distribution partner. While the total balance outstanding is circa £361,000, management believes that, on balance, the full amount remains recoverable. The provision reflects the extended period since the original due date and the Company's desire to present a conservative and responsible financial position. The Company continues to engage constructively with the counterparty, and discussions regarding future strategic cooperation are ongoing.

Due to changes in the vaping regulatory environment and events that occurred after the end of the financial year, as outlined in this report, the Company will record considerably lower revenues in the financial year ending 31 March 2025. Going forward, the Company's revenue will be generated by three divisions: sales of own-branded vaping products, sales of products from third-party brands on the chill.com e-commerce marketplace, and fees for the provision of sales services to clients.

Expenditure

During the year, the Group's administrative expenses rose to £3,523,507 (2023: £2,636,115). This increase in expenses was primarily driven by expanded trading activity, particularly in the UK, where the Company's

commercial activities were almost entirely established during the Period. The launch of new products, the development of distribution channels, and the marketing efforts necessary to introduce these products to the market significantly contributed to the rise in costs and correlate to an associated increase in revenue.

These costs reflect payments to vendors and expenses associated with the establishment of distribution channels, including payments for the development and management of a sales team by The Vaping Group, slotting fees for major retail accounts, and logistics. The majority of these additional costs relate to the launch and distribution of the Company's nicotine-free vaping products. At the same time, there was a reduction in costs relating to the marketing and distribution of legacy CBD products as the Group's focus shifted away from that category.

In line with an increase in sales to £1,908,020 (2023: £82,840) there was an associated increase in the cost of sales to £1,040,053 (2023: £61,798). This increase reflects the costs of inventory acquisition, freight, warehousing and other matters relating to the sale of the Company's nicotine-free vape products.

As is common among businesses engaged in the retail of consumer goods, the Company faced cash flow challenges throughout the Period. This was primarily due to the necessity of funding the large-scale rollout of its products, which involved the payment of slotting fees and inventory procurement, while selling to major retail stores under typical payment terms that often result in a delay of more than 90 days between the ordering of inventory by the Company and receipt of payment from distributors and retailers. These conditions require meticulous financial planning and careful liquidity management to ensure the Company sustains its operations and continues to grow its market presence.

During the financial year commencing on 1 April 2024, the Group incurred costs relating to the corporate events outlined in the Chief Executive's Review and Strategic Report, including significant legal costs. Going forward, the Company will incur costs relating to the maintenance of its listing on the London Stock Exchange and the development of its business, primarily in the UK.

Liquidity, Cash and Cash Equivalents

At the year end, the Group held £1,315,289 at the bank (2023: £3,767,426).

Funding and Going Concern

During the Period the Group's activities were resourced by fundraising activity immediately prior to the commencement of the financial year. On 16 March 2023, during the prior period, the Company raised £560,000 before costs from the issue of 16,000,000 new ordinary shares at a price of 3.5 pence per share. On 31 March 2023, and as announced on 3 April 2023, the Company raised a further £2,600,000 (before costs). This was comprised of a subscription for 25,000,000 new ordinary shares at a price of 4 pence per share (for a total of £1,000,000) and the issue of unsecured convertible loan notes with a value of £1,600,000. The convertible loan notes originally carried a coupon of 12% per annum for a term of three years from the date of issue on 31 March 2023 and were convertible into Ordinary Shares at 8 pence per share. The first annual interest payment due in respect of the convertible loan notes was capitalised into new ordinary shares as part of fundraising activity in January 2024, as explained below. As announced on 23 May 2025, the Company and lender mutually agreed to vary the terms of these convertible loan notes such that their maturity date is extended to 15 May 2028, and their conversion price is amended to 2.15 pence per ordinary share, resulting in a potential issuance of up to 74,418,605 conversion shares.

On 20 December 2023, the Company announced that it had secured a supply chain debt financing facility from its major shareholder, Mr Jonathan Swann. The unsecured debt facility had a total credit limit of £1,000,000 and carried a monthly interest rate of 2% on funds drawn down. The funds were drawn to finance inventory acquisition and commercial slotting agreements connected with the sale of the Company's nicotine-free vape products into major retailers, as announced in December 2023. Liabilities accrued in connection with the debt facility were capitalised in line with fundraising activity in January 2024, as explained further below.

On 26 January 2024, the Company announced a new equity fundraising of approximately £2,400,000. This consisted of a placing of 28,553,800 new ordinary shares and a subscription for 3,466,700 new ordinary shares for a total of 32,000,000 shares, each priced at 3.75 pence and raising in aggregated £1,200,018 (before costs). Concurrently, the Company capitalised £1,200,000 of liabilities to Mr Jonathan Swann, comprising the first annual interest payment accrued against the convertible loan notes issued to Mr Swann in April 2023, and the £1,000,000 debt facility provided in December 2023 along with interest accrued against that facility.

As a result of capitalising Mr Swann's debt financing facility, the Company was able to use the proceeds from the sale of its nicotine-free vape products into major UK retailers for working capital purposes. This strategic decision meant that the funds did not need to be earmarked for the repayment of the previously accrued liabilities linked to Mr Swann's facility. Consequently, the Company could use these financial resources for general working capital purposes. During the financial year beginning 1 April 2024, the Company's operations have been sustained by a combination of the funds raised in January 2024 and payments from retailers, wholesalers and distributors connected with the sale of its nicotine-free vape products.

In the time since the end of the Period, the Company's operations were primarily supported through revenue generated from commercial activities undertaken in the prior financial year, supplemented by funds raised in a financing round completed in January 2024. This period required particularly careful cash management, as the Company's financial position was impacted by the significant legal and professional costs incurred in relation to corporate disputes and associated matters.

Looking ahead to the financial year commencing 1 April 2025, the Board expects the Company's financial requirements to be met through further capital raising activities. On 23 May, the Company announced that it had raised £1 million from subscriptions for the issue of convertible loan notes carrying an annual interest rate of 10%, a three-year maturity, and convertible into ordinary shares at a price of 1.5 pence per share. In addition, investors will receive warrants attached to the CLNs, priced in line with the volume-weighted average price (VWAP) of the Company's shares at the time of each drawdown.

The Board considers that the capital provided under the current financing facility will be sufficient to support the continuation of the Company's core commercial operations throughout the financial year ending 31 March 2026. Nevertheless, it may be necessary for the Company to raise additional funding in the future in order to remain viable as a going concern, particularly in the event of unforeseen operational costs or if strategic growth opportunities are to be pursued.

Based on the Company's demonstrated ability to secure financial backing from both new and existing investors in recent periods, and the continued support of major shareholders, the Directors are confident in their ability to raise further funds if and when required.

However, there remains a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. The ability of the Company to continue its operations is dependent on the successful raising of additional funding as and when required. These conditions indicate the existence of a material uncertainty which may cast significant doubt upon the Company's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding this material uncertainty, after making enquiries and considering the options available to the Company, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of these financial statements. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing these financial statements.

CHIEF EXECUTIVE'S REVIEW AND STRATEGIC REPORT – OTHER MATTERS

Board Changes and Operational Composition

On 4 June 2024, the Group announced a reorganisation of its executive management team with the removal of the Company's Chief Commercial Officer, Antonio Russo, and Chief Operating Officer, Trevor Taylor, and the appointment of Aditya Chathli and Graham Duncan as Non-Executive Chairman and Chief Finance Officer, respectively. On 7 June 2024, Eric Schrader resigned as a Non-Executive Director and Nick Tulloch was appointed as a Non-Executive Director on 5 September 2024.

Development of New Compliant Vaping Products

During the Period and in the months since, the UK government announced significant changes to the regulation of vapes in the UK. In particular, a ban on the sale of disposable vape products was implemented from 1 June 2025. Disposable vape products are defined as products that are either not rechargeable, not refillable, or neither rechargeable nor refillable. In practice, this means that for a vape product to be considered compliant for sale in the UK after 1 June 2025, users must be able to recharge the battery, replace the coil (the heating element that enables the device to produce vapour), and refill the device either with e-liquid or a new replacement pod.

This regulatory change directly impacts the Company's Chill ZERO range of nicotine-free disposable vapes. Despite the 7ml 3,000 puff products being capable of recharging via a USB-C charging port, they are not refillable. As a result, the Company is phasing out its existing range of Chill ZERO disposable vape products.

In response to these regulatory changes, as announced in December 2024, the Company launched a new range of nicotine-free e-liquid products in March 2025. These products are predominantly intended to be sold into specialist vape shops where there is a market for shortfill e-liquids. Shortfills are larger bottles of the fluids used to produce vapour, with space to add nicotine shots if desired, thus providing flexibility for users while complying with regulatory restrictions.

The Company is working with its manufacturing partners to scope and develop compliant vaping devices with replaceable pods that will be both rechargeable and refillable. These efforts are aimed at ensuring that the Company's own proprietary product offerings remain compliant with the new regulations while continuing to meet the needs and preferences of its customers. Since the end of the Period, the Company has also begun to offer sales and distribution support services to other brands including those involved in the development and sale of vape and other novel nicotine products. Following the UK ban on disposable vape products commencing 1 June 2025, the Company has continued selling compliant products from brand partners.

Feminised Hemp Seed Programme

Under its previous guise as Zoetic International the Group had a significant focus on cannabidiol (CBD) products. During this period, the Group planned to develop, cultivate, and sell its own varieties of hemp seeds. The Company's accounts therefore reflect a notable carrying value of feminised hemp seeds and specifically an inventory of proprietary varieties of seeds intended to yield plant matter high in CBD content and low in tetrahydrocannabinol (THC – the principal psychoactive compound found in cannabis). These particular traits were considered highly attractive at the time, especially when the market for CBD products was projected to grow exponentially.

To effectively market these seed varieties within Europe, it was necessary for them to undergo rigorous testing to secure entry into the European Seed Catalogue. Inclusion on this register would have allowed for the sale of these seeds to licensed cultivators within the European Union. However, during a final testing cycle, the Company's testing partners identified anomalies relating to the colour of the plant matter and the presence of off types within the cultivation area.

As the Company's strategic focus began to shift away from CBD products towards other categories of consumer goods, it was determined that further resources should not be allocated to potentially costly testing exercises. This strategic pivot was further supported by an observed decline in the market for hemp seeds, specifically those rich in CBD but low in THC content. The market dynamics had dramatically changed from the initial projections in 2019 and 2020. For instance, the downstream market for CBD isolate saw a steep reduction in value, where a kilogram of CBD isolate that once exceeded £1,000 in 2020 could be sourced for as little as a few hundred pounds by 2024.

Due to the sustained decline in the market for raw materials rich in CBD and analogous non-intoxicating cannabinoids, coupled with the strategic shift of the Group's focus away from CBD production and towards other consumer goods, it was not considered appropriate to allocate significant additional resources to the attempted commercialisation of the hemp seed project. Consequently, the Directors have determined that there is limited prospect of realising significant value from the Group's inventory of feminised hemp seeds.

As a result of this decision, the carrying value of the seeds has been impaired in its entirety. While the Company will continue its attempts to either liquidate or find a commercial use for the inventory of hemp seeds, it cannot guarantee that any funds will be realisable from them.

UK Novel Foods Authorisation

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

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

During the Period, the Food Standards Agency (FSA) updated its precautionary advice on CBD, recommending that healthy adults limit their consumption to just 10mg per day. This adjustment represents a significant reduction from the previous limit of 70 mg per day. The Company's application relating to CBD gummies involves a product with a CBD content of 25mg per gummy. It is not feasible for the Company to make adjustments to its product to reflect this recommended dosage, as pursuant to the FSA's Novel Foods regime, only products that were on the market prior to February 13 2020, and had applications submitted by March 31 2021, are allowed to remain on sale pending validation and further approval.

While the Company will continue to maintain its Novel Foods applications in concert with its manufacturing partners, its strategic focus has shifted away from this product category. Furthermore, it is not expected that the conclusion of the Novel Foods application process and subsequent approval would lead to uptake of the Company's products by major retailers without significant further investment, including the payment of slotting fees and allocation of marketing budgets. A number of major UK retailers including supermarkets and highstreet health and beauty stores have previously sold CBD products from other brands however in many cases these have since been removed from their ranges demonstrating a declining appetite by retailers to distribute CBD products.

The Company will provide further updates relating to the progress of the Novel Foods process as appropriate, however own-brand CBD products are no longer a significant area of focus for the Group.

Zoetic

During the Period, the Company continued to sell its remaining inventory of Zoetic CBD oils on its chill.com e-commerce marketplace website. Sales of these products were not material as a proportion of the Company's overall revenue.

Further development of the Zoetic brand was not a strategic priority during the Period while the Company predominantly worked on the development and distribution of its Chill ZERO line of nicotine-free vapes. Going forward it is management's view that, rather than applying further resources to this brand, the Company should focus its efforts on the development of Chill own-branded products, the chill.com marketplace of third-party wellness products, and the provision of sales services to other brands. The Company has already substantively concluded its prior strategy of developing and distributing CBD products and, in line with this strategy, the Zoetic brand will continue only as a range of CBD tinctures sold on the chill.com website. The Company will reassess this position should there be a change or update to the Novel Foods regime that governs the sale of ingestible cannabidiol products.

Risks and Uncertainties Facing the Group

As a business involved in the development, marketing, and supply of consumer packaged goods products, the Group faces risks typical of other consumer goods brands. This is particularly relevant for the Group's vaping products, which are subject to evolving regulatory risks. Additionally, the Group faces general financial risks that are common amongst similar enterprises at an early stage of their development and growth.

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

General Risks Relating to the Group's Financial Position

While revenues from the Group's consumer-facing activities have grown during the Period in review, the Group anticipates a decline in revenues during the financial year commencing 1 April 2024. This expectation reflects a combination of factors, including regulatory changes in the markets in which the Group operates (particularly relating to disposable vaping products), recent strategic shifts in market focus, and corporate and operational challenges which have impacted the pace of the Company's commercial development.

The Board has considered a range of trading scenarios, including those that assume continuing reductions or stagnation in sales volumes, limited uptake of new products, and delays in implementing its broader commercial strategy. In response to such scenarios, the Board is prepared to take appropriate mitigating actions, including the reduction or elimination of certain operational expenditures such as staffing costs, marketing, and retail activities, in order to preserve the Group's financial position.

The Group has historically been, and continues to be, reliant on access to external financing, including through the issuance of new equity and debt instruments, to fund its ongoing operations and strategic initiatives. Whilst the Directors remain confident in their ability to secure further funding, there is no certainty that such funding will be available in the necessary amounts or on acceptable terms at the required time.

As such, the Group's continued operation remains dependent on timely access to additional capital. If the Group is unable to secure such funding as and when required, it may not be able to continue to operate at its current scale, and may be required to significantly curtail, restructure or cease certain aspects of its commercial activities. These factors represent a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

Risks Relating to Logistics and the Supply of Products

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

The Company is involved in the sale of a product portfolio primarily consisting of goods that are manufactured overseas - most notably in China - and subsequently imported into the countries where they are sold. As a result, the Group is exposed to the impact of international tax regimes, customs duties, and any changes in tariffs or trade policies that may affect cross-border commerce. Fluctuations in these areas could influence the Company's cost base, pricing strategy, and overall margin structure.

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

Risks Associated with Laws and Regulations Relating to Vaping Products

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

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

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

Between August 2023 and January 2025, the UK implemented and proposed several regulatory changes concerning vaping products, focusing particularly on disposable vapes and youth access.

In January 2024, the UK government announced a proposed ban on the sale and supply of disposable vapes. The ban was implemented on 1 June 2025. This ban includes both nicotine and non-nicotine disposable vapes and has been prepared under existing frameworks for environmental law. Retailers had until 1 June 2025 to sell existing stock, after which time any further sales would be illegal necessitating the destruction or disposal of any residual stocks.

The UK Government is currently progressing its proposed Tobacco and Vapes Bill with the aim of creating a smoke-free generation by prohibiting the sale of tobacco products to anyone born on or after 1 January 2009. This legislation also seeks to implement several measures to address concerns regarding the appeal of vape products to minors. The proposed measures include restricting vape flavours, packaging, and display to decrease their appeal to children; banning many advertising and sponsorship initiatives; implementing fixed penalty notices for retailers who sell vapes to individuals under the age of 18; and introducing a new retail licensing scheme for both tobacco and vape products.

The proposed measures, including the ban on the sale of disposable vapes, may significantly impact the Group's ability to generate reliable revenues from the sale of vaping products. These regulations could limit the viability of the Group's proposed future products, the breadth of available channels into which those products can be sold, impose additional compliance costs, and decrease the appeal of vape products to consumers. Consequently, the Group may face reduced market opportunities and increased operational challenges, affecting its overall financial performance.

The regulatory landscape for vaping products in the United States is equally complex and brings its own risks to the Group's business. Oversight is exercised through a combination of federal, state, and local regimes, each with their own set of requirements and restrictions. At the federal level, the Food and Drug Administration (FDA) regulates vaping products under the Tobacco Control Act, mandating that any product containing nicotine or capable of being used with nicotine must undergo the costly and unpredictable Premarket Tobacco Product Application (PMTA) process. Only a limited number of products have successfully navigated this pathway. Simultaneously, state and local authorities impose additional layers of regulation, including flavour bans, taxation, sales restrictions, and varying enforcement practices. This fragmented and frequently evolving regulatory environment creates uncertainty for manufacturers and distributors, significantly increases the cost of doing business, and may limit the Company's ability to launch or sustain product lines in this category in the US market.

Product Viability

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

Product Liability

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

Success of Quality Control Systems

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

Product Recalls

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

If any of the Group's products are recalled for any reason, the Group could incur adverse publicity, decreased demand for the Group's products and significant reputational and brand damage. Although the Group has detailed

procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls.

Industry Competition

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

Risks Relating to Legacy Oil and Gas Assets

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

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

IT Security and Brand Protection Risks

As the Group's activities and profile expand, its digital assets and intellectual property rights – including the ownership of website domains and trademarks - may be challenged both legally by competitors and illegally by bad actors. With these risks in mind, the Group has engaged with numerous initiatives, protections, and countermeasures to ensure that its interests and those of its shareholders and customers are insulated against these risks. Our intellectual property rights are well protected through a series of international trade marks and patent applications. Since the end of the Period, the Company has taken additional steps to secure its IT facilities, has engaged with IT security professionals, and has secured additional protection packages to prevent any removal or wrongful divestment of its digital assets.

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

The Directors are mindful of their duties under Section 172(1) of the Companies Act 2006 to promote the success of the Company for the benefit of its members as a whole, having regard to the interests of stakeholders in their decision-making. The Board continues to take account of the impact of its decisions on all our stakeholders, who include employees, customers, suppliers, partners, regulatory bodies, and the wider community. We explain below how the Board has discharged its duties under Section 172 during the year.

Product Portfolio Evolution and Environmental Responsibility

The Board oversaw significant expansion in the distribution and sales of the Company's nicotine-free disposable vape products during the Period. Recognising our environmental responsibilities, we actively engaged with our major distribution partners to identify and work towards participation in recycling and battery reclaim programmes. This decision reflected our commitment to reducing environmental impact while growing our business sustainably.

The Directors have maintained active oversight of emerging regulatory developments, particularly the proposed UK ban on disposable vapes. In response, we have invested in research and development of new compliant products, including e-liquids and non-disposable vapes. This proactive approach demonstrates our commitment to long-term business sustainability while ensuring compliance with evolving regulations and meeting changing consumer needs.

Public Health Considerations

In line with our commitment to responsible business practices, the Board made the strategic decision to cease sales of legacy combustible CBD hemp products. While primarily driven by commercial considerations, this decision aligned with our broader objective to minimise any potential contribution to negative public health outcomes associated with combustible products.

Stakeholder Engagement

Throughout the year, the Company maintained consistent dialogue with its distribution partners to understand their operational capabilities and requirements regarding environmental responsibility. This engagement has been crucial in developing effective environmental initiatives that work within existing retail infrastructure and the Company has been fortunate that many of its distribution partners already implement environmentally-focused product return programmes by providing retailers with collection point infrastructure. We have also invested in product development to ensure we can continue serving our customer base effectively as the regulatory landscape evolves, maintaining our commitment to providing high-quality, compliant products that meet consumer needs.

Throughout the Period we have closely monitored legislative developments affecting our industry. This vigilant approach has enabled us to anticipate and prepare for regulatory changes, particularly regarding disposable vape products. We continue to invest in product development to ensure we remain well-positioned to meet both current and anticipated regulatory requirements.

The Company's approach to product development is fundamentally driven by consumer demand as communicated by our distribution partners and retailers. Since the end of the Period, we have increasingly reinforced our objective of offering a genuine alternative to combustible smoking products through our vaping products. This commitment was exemplified by our participation in the 2024 Pharmacy Show, where we actively engaged with pharmacists, medical professionals, and operators of health-focused retail outlets to better understand the evolving needs and preferences of our consumers.

The Company recognises its responsibility to all stakeholders, including shareholders. After the end of the Period, shareholders exercised their democratic rights by calling a general meeting, at which they voted to remove two former directors - Chief Commercial Officer Antonio Russo and Chief Operating Officer Trevor Taylor - and appoint two new directors, Non-Executive Chairman Harry Chathli and Finance Director Graham Duncan. This shareholder-led governance action illustrates that the Company is subject to open and transparent corporate processes.

The Company's Chief Executive Officer maintains regular correspondence with investors of all sizes, discussing a broad range of topics from operational performance and strategic direction to product availability, branding, and digital presence. Where appropriate, shareholder feedback is shared with the wider Board for consideration. This open and responsive approach is a key feature of the Company's stakeholder engagement model and reflects the Board's intention to remain accessible and accountable.

Looking Forward

The Board remains committed to maintaining an effective dialogue with all stakeholders and taking their interests into account in its decision-making. We will continue to adapt our business model and practices to meet evolving regulatory requirements while maintaining our focus on sustainable growth and responsible business practices.

The Board acknowledges the importance of balancing the needs and expectations of stakeholders but is often required to make difficult decisions based on competing priorities where the outcome may not be positive for all stakeholders. Decisions are always taken with the utmost regard and respect for all stakeholders, and the decision-making process has been formulated to ensure directors evaluate the merits and risks of proposed activities and their likely consequences over the short, medium and long-term. The Directors recognise the importance of acting fairly

between shareholders and are committed to promoting the success of the Company for the benefit of its members as a whole even if certain decisions do not provide short-term benefits to individual members.

Key Performance Indicators

Given the evolving nature of the Group's operations and the ongoing changes to its business model and product mix, the Board has not yet established a formal suite of key performance indicators (KPIs) applicable to all aspects of the Group's activities. However, at this stage of development, the primary KPI used by the Board to assess overall performance has been revenue generation.

Revenue is considered the most relevant measure at this stage, as it reflects the Group's ability to attract and retain customers, secure distribution relationships, and generate cash inflows to support ongoing operations and investment. Given the pace of change in the Group's commercial strategy and the regulatory environment, more detailed operational KPIs are being monitored on an informal basis but have not yet been formalised for external reporting.

The Board anticipates that as the Group's activities become more established and its operations stabilise, additional KPIs will be introduced to monitor performance across sales, marketing, operational efficiency, customer engagement, and environmental responsibility. In the digital channel, such KPIs may include website traffic, conversion and retention rates, and average customer spend. In respect of physical retail sales, relevant KPIs may include unit sell-through rates and distribution footprint metrics.

The Board continues to review its internal and external reporting framework to ensure that appropriate KPIs are adopted and disclosed as the business matures.

Gender Analysis During the Financial Year Ending 31 March 2024

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

	Male	Female
Directors	5	None
Employees	1	3

The data presented in the diversity and inclusion disclosures, including the table below, has been collected through internal records maintained by the Group. Given the size and structure of the Group, personal data relating to gender and related characteristics is obtained at the point of appointment for Directors and during onboarding for employees, typically through self-identification or documentation provided at hire.

The Board considers the information to be reliable and complete based on the current size and scope of the Group's operations, and no external verification or third-party assurance has been obtained in respect of the reported data. At present, the Group does not operate formal diversity monitoring systems or collect data beyond binary gender identification. As the Group develops and grows, its approach to diversity data collection and monitoring may be reviewed and enhanced in line with regulatory requirements and best practice standards.

The Company acknowledges that, as at the end of the reporting period, the gender composition of its Board does not meet the targets specified under the UK Listing Rules and DTR requirements. Specifically, the Board was composed entirely of male directors, while the wider Group included one male and three female employees.

The Directors consider that the current gender imbalance on the Board primarily reflects the early-stage nature of the Company's operations and the significant resource constraints and challenges it has faced in recent periods -

including navigating complex regulatory changes, commercial volatility, and corporate restructuring. During this time, the primary focus of the Board has been on stabilising the business and ensuring operational continuity. As such, Board composition has not been a strategic priority.

Nonetheless, the Board recognises the importance of gender diversity and remains committed to aligning with best practice over time. As the business matures and becomes more stable, the Company intends to broaden the composition of the Board through future appointments, including with respect to gender diversity, in accordance with the expectations of the Listing Rules and associated governance frameworks.

Corporate Social Responsibility

The Company maintains an unwavering commitment to operating with transparency and integrity in all aspects of its business. We recognise our responsibility to balance the interests of all stakeholders, including shareholders, employees, customers, and the wider community. Through regular engagement and clear communication, we strive to keep our shareholders informed of material developments while maintaining appropriate commercial confidentiality.

Our employees are fundamental to our success, and we are dedicated to fostering a safe, healthy, and inclusive working environment. We understand that different individuals have different needs and circumstances, and we endeavour to provide appropriate flexibility where possible. This approach allows us to attract and retain talented individuals while ensuring we maintain our operational effectiveness and meet our business objectives. Our flexible working practices and remote working policies are designed to support both individual well-being and business performance.

As a company operating in the vaping industry, we recognise our heightened responsibility to ensure our products are developed and marketed responsibly. While vaping remains a topic of public debate, our position is clear: vaping products serve a vital role in tobacco harm reduction and smoking cessation. Our strategic focus has been to support individuals not only in their journey away from tobacco products but also in reducing nicotine dependency altogether. This is reflected in our core product range of zero-nicotine vaping products, which provide the sensory aspects of vaping that many users find helpful in their cessation journey, without perpetuating nicotine addiction.

We take our responsibility to prevent youth access to our products extremely seriously. Our approach includes several deliberate measures to minimise this risk. We have implemented strict distribution controls, preferentially partnering with retailers who maintain Challenge 25 policies. Our product development strategy specifically avoids confectionery-based flavours that might disproportionately appeal to young people. Furthermore, our pricing strategy positions our products at a premium price point that places them outside the pocket money spending range. Looking ahead, we are evolving our brand identity to adopt a more sophisticated, adult-oriented aesthetic, beginning with our forthcoming shortfill e-liquid range. This forms part of our ongoing commitment to responsible product development and marketing.

Corporate Environmental Responsibility

As a consumer goods company with heritage in the natural resources sector, we maintain an acute awareness of our environmental responsibilities and the importance of sustainable business practices. We recognise that our activities have an environmental impact and are committed to continuously improving our environmental performance through thoughtful strategic decisions and operational improvements.

A key focus of our environmental strategy centers on our transition from disposable vape products towards reusable, rechargeable devices. This shift represents a significant opportunity to reduce our environmental footprint, particularly regarding electronic waste and battery disposal. Reusable devices substantially reduce the volume of batteries and electronic components entering the waste stream, as a single device can potentially replace hundreds of disposable units over its lifetime. This transition aligns with both our commercial objectives and our environmental responsibilities.

We recognise that our environmental impact extends beyond our direct operations. Where possible, we carefully select suppliers and partners who demonstrate strong environmental credentials and compliance with regulatory requirements.

While our business model relies on third-party manufacturers and logistics providers, we maintain oversight of the environmental impact of these operations. We do not operate retail locations directly, and our use of outsourced storage and transportation services attempts to balance environmental considerations with the commercial needs of the business.

We intend to develop more comprehensive systems to measure and report our environmental impact, enabling us to set meaningful targets for improvement and track our progress towards these goals. This includes monitoring our carbon footprint, waste generation, and resource usage across our value chain.

We acknowledge that environmental responsibility requires ongoing commitment and continuous improvement. We remain dedicated to identifying and implementing new ways to reduce our environmental impact, whether through product innovation, operational improvements, or supply chain optimisation.

Further information regarding the Group's carbon emissions can be found at page 37 of this report.

Task Force on Climate-Related Financial Disclosures (TCFD) Statement

The Company acknowledges its obligations under the Financial Conduct Authority's Listing Rule 6.6.6R regarding climate-related disclosures consistent with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). This statement provides a summary of the Group's current position with reference to the four TCFD pillars: Governance, Strategy, Risk Management, and Metrics and Targets. As an early-stage growth business operating in a highly regulated and rapidly evolving sector, our focus has been on building a stable and compliant operating model. We do, however, recognise the increasing importance of environmental factors and are committed to progressively enhancing our climate-related governance and disclosure practices over time.

1. Governance

The Board of Directors is responsible for overseeing climate-related risks and opportunities. Given the Company's size and the direct involvement of Board members in day-to-day operations, climate-related issues are monitored alongside other operational and regulatory matters.

To date, climate-related risks have not formed a material part of the Board's formal consideration of strategy, budgets, performance objectives or capital expenditure. This is primarily due to the early-stage nature of the Company, the regulatory and commercial turbulence it has faced, and the urgent need to focus on operational viability, regulatory compliance, and financial performance.

Nonetheless, the Board remains mindful of the importance of aligning with climate goals. It has acknowledged that, as the business matures, more structured oversight mechanisms must be developed. These will include clear internal objectives, regular reviews, and progress tracking against climate-related performance indicators.

In recent times, the Company has ensured compliance with applicable environmental regulations such as the Waste Electrical and Electronic Equipment (WEEE) Regulations and battery recycling schemes. These have been the primary focus of the Board's environmental oversight to date.

2. Strategy

The Group recognises that climate-related risks and opportunities will play a more prominent role in its future strategic and operational planning, particularly as a consumer packaged goods business. The immediate impact of climate change on our operations is currently limited, but medium to long-term risks relating to packaging waste, product lifecycle sustainability, and consumer preference shifts are anticipated.

Climate-related risks and opportunities are particularly relevant to businesses involved in selling consumer-packaged goods (CPG), where supply chains, packaging choices, and end-of-life product treatment directly affect environmental impact and stakeholder perception. In the future, the Board expects to give greater weight to climate-related considerations when reviewing strategic decisions, including product design, materials sourcing, logistics, and retail partnerships. For example, rising consumer and regulatory expectations around recyclability and carbon footprint may shape our packaging strategy, while increased scrutiny on supplier emissions could influence our procurement policies. As the business matures, we anticipate developing a climate-informed (if not climate led) approach to innovation, where product development and marketing strategies align with sustainability goals. Over time, climate performance may become integrated into strategic KPIs, investment decisions, and brand positioning, as this will support long-term competitiveness in an environmentally conscious marketplace.

3. Risk Management

The Company does not yet maintain a standalone climate risk register, and climate-related risks are currently assessed by the Board alongside broader business risks. All principal risk matters are addressed collectively by the Board due to the Company's size and the integrated nature of its management structure. As our governance framework evolves, we intend to formalise climate risk assessment processes in line with broader enterprise risk management practices.

The most significant environmental risk identified to date has been the impact of disposable vape products on electronic and battery waste output. This has informed the Company's decision to develop and commercialise more sustainable reusable alternatives, working with manufacturing partners to improve product design, recyclability, and consumer disposal behaviours. While our intended transition to reusable products and reduced reliance on disposable formats was primarily driven by regulatory changes, it also reflects our approach to responding to any risks identified, reviewing all key matters at a Board level before executing across the business.

As part of its broader risk management efforts, the Company intends to introduce more structured processes to identify, evaluate, and mitigate climate-related risks. This includes building internal capacity, formalising risk governance procedures, and integrating these into enterprise risk management as part of the Group's evolution.

4. Metrics and Targets

The Company has not yet developed climate-specific metrics or targets. Several practical factors have contributed to this:

- The Company's ongoing strategic transformation has made historical data irrelevant for future measurement;
- Supply chain volatility has complicated data collection and environmental performance tracking;
- Resource constraints have required prioritisation of commercial, regulatory, and financial status over environmental concerns;
- Climate-related matters have not been integrated into business KPIs, capital allocation decisions, or performance reviews.

Despite its current status, the Company recognises that in order to effectively manage climate-related risks and opportunities, these limitations must be addressed. In future, the Board plans to:

- Establish baseline measurements of environmental impact;
- Develop key performance indicators relevant to climate-related priorities;
- Integrate environmental data into operational systems and reporting frameworks;
- Set medium and long-term targets for emissions, packaging waste, and product lifecycle sustainability.

Notwithstanding the above, the Company does monitor and estimate the environmental impact attributable to certain core activities in line with the Streamlined Energy and Carbon Reporting (SECR) regulations. Further information can be found on page 43 of this report.

Current State of Compliance and Forward Commitment

The Company is at a critical stage in its development, characterised by strategic adaptation to evolving regulatory requirements and market conditions. During and since the Period, we have had to make fundamental decisions about our business model and product offering, particularly in response to regulatory changes in the vaping industry. While we maintain a strong commitment to environmental responsibility, the immediate demands of business transformation and regulatory compliance have necessarily taken precedence in our resource allocation and strategic planning.

As a public company committed to responsible growth, we understand that alignment with TCFD principles is essential. This disclosure reflects our current position and outlines the steps we are taking to improve compliance. As our business stabilises and scales, we expect our TCFD disclosures and climate governance to evolve in tandem with the Group's operational maturity and sustainability commitments.

The Company views this statement as a foundation for future development. While climate-related concerns have not yet formed a central part of our strategic planning, we are committed to integrating them more formally as our capacity and maturity increases. Future disclosures will build on the principles outlined here, reflecting our intention to meet the expectations of investors, regulators, and other stakeholders regarding responsible environmental stewardship and climate risk management.

The Company recognises the UK's legally binding net zero target and is committed to aligning with it over time. As our operations mature, we will assess our emissions, embed decarbonisation into planning, and develop a credible roadmap to support the national transition in a commercially sustainable way.

We believe this approach represents a realistic and responsible balance between our growth objectives and our environmental responsibilities, while acknowledging the practical limitations faced by early-stage companies in achieving comprehensive TCFD compliance.

Disclosures and Considerations Relating to Vape Products

As part of its ongoing commitment to responsible environmental stewardship, the Company recognises the importance of complying with all applicable environmental regulations, particularly those relating to the handling and disposal of electrical and electronic equipment. This includes obligations under the Waste Electrical and Electronic Equipment (WEEE) Regulations and similar requirements that apply to businesses importing and distributing vape products containing batteries.

The Company acknowledges that the disposal of batteries associated with vape devices presents a material environmental risk if not managed appropriately. Accordingly, the Board is committed to ensuring that the Group's operations remain fully compliant with environmental law, including the proper registration, reporting, and financing of battery collection and recycling schemes where required.

In line with this commitment, the Company's strategic approach will be to minimise battery waste wherever possible. This includes working with suppliers and manufacturing partners to explore alternatives to single-use formats, improving product design to facilitate recyclability, and engaging with customers and retailers to raise awareness about responsible disposal practices. The Company will also continue to monitor evolving regulatory frameworks in its key markets to ensure that it remains compliant and aligned with best practice in environmental management.

These initiatives form part of a broader sustainability strategy that aims to reduce the environmental impact of the Company's operations and support the transition to a more circular economy. The Board recognises that responsible management of environmental risks, including those related to climate and waste, is essential to the Group's long-term resilience and value creation.

The Company recognises that climate-related regulation and shifting consumer preferences present both risks and opportunities to its long-term strategy. In the short to medium term, our transition towards reusable vaping formats is expected to reduce environmental exposure and align with anticipated regulatory shifts in the UK and other core markets. Over the longer term, we believe our focus on sustainable product innovation will offer a strategic advantage as environmental criteria become increasingly important to consumers, distributors, and regulators alike. As such, climate-related considerations are expected to play a growing role in our financial and operational planning.

KEY PERSONNEL



Callum Sommerton **Chief Executive Officer**

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

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

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



Harry Chathli **Non-Executive Chairman**

Harry is a capital markets and media strategist who has developed and designed successful communication campaigns to raise the profile of organisations, companies and government policies over the past 25 years.

Harry has been the key PR adviser to clients ranging from FTSE 100 to AIM-listed businesses. He has a demonstrable track record of success in technology-led businesses (TMT, Cleantech, Med-tech, Biotech), FMCG, Healthcare, Industrial & Support Services and Property sectors across UK, Europe, Middle East, Asia, US and Africa.

He is also an entrepreneur with a track record of growing successful businesses, mentoring start-up management teams and identifying sources of growth capital for businesses. He founded his first PR agency, Corfin Public Relations, which was acquired by Luther Pendragon in October 2011. After eight years at Luther, in 2019 he conducted a management buy out to set up the company now trading as Gracechurch Group.



Graham Duncan
Finance Director

Graham is a UK-based chartered accountant with more than 25 years' of capital markets experience. He also holds a Corporate Finance Diploma issued by the Institute of Chartered Accountants in England and Wales.

Since 2013, Graham has operated a consultancy business providing transactional support and financial reporting advice to growing private and public companies in the UK and internationally, including advising on new admissions to the Official List of the London Stock Exchange.

He is Chairman of RentGuarantor Holdings Plc, a company listed on the Apex segment of the Aquis Stock Exchange. Prior to this, Graham was a capital markets director with a major firm of Chartered Accountants in London. Graham has considerable international experience, including four years in Hong Kong where he advised on corporate transactions in the Asia Pacific region.



Nick Tulloch
Non-Executive Director

Nick Tulloch advised companies on the UK capital markets for over 20 years, working for several well-known investment banks and stockbrokers, including Cazenove, Arbuthnot and Cantor Fitzgerald.

He is CEO of Mendell Helium plc (formerly Voyager Life plc), which he founded as a plant based health & wellness company before overseeing its transformation into a helium business with production assets in Kansas, USA. This marks the second time in his career that he has carried out a business transformation. He was finance director and then subsequently CEO of Chill Brands Group plc in 2019 – 2020 (at which time it was called Highlands Natural Resources plc and then Zoetic International plc) when he led the company's pivot from oil & gas and into what became its current operations.

Nick began his career as a solicitor with Gouldens and he holds a masters in law from Oxford University. Nick is also Chairman of ECR Minerals plc.

DIRECTORS' REPORT

The Directors present their report and the financial statements for the year ended 31 March 2024.

Principal Activities

The Group's principal activities are the development, production and distribution of nicotine-free vape products and other consumer packaged goods. The Group is also focused on the development of an e-commerce marketplace for wellness and recreational products made with natural, functional ingredients including CBD products, nootropics, supplements and others.

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

Results

The Group recorded a loss for the period after taxation from continuing and discontinued activities of £3,370,293 (2023: loss £4,287,891) and further details are given in the preceding Financial Review. No dividend has been paid during the period nor do the Directors recommend the payment of a final dividend (2023: nil).

Directors

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

C Sommerton	Chief Executive Officer
A Russo	Chief Commercial Officer (Removed 4 June 2024)
T Taylor	Chief Operating Office (Removed 4 June 2024)
E Schrader	Non-Executive Director (Resigned 7 June 2024)
Scott E. Thompson	Independent Non-Executive Director (Resigned 30 September 2024)
A Chathli	Non-Executive Chairman (Appointed 4 June 2024)
G Duncan	Finance Director (Appointed 4 June 2024)
N Tulloch	Non-Executive Director (Appointed 5 September 2024)

Details of the Directors' interests in the shares and warrants of the Company are set out in the Directors' Remuneration Report on page 34.

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

Substantial Interests

At 30 May 2025 the Company had been informed of the following substantial interests in the issued share capital of the Company:

	<u>Number of Issued Shares</u>	<u>Percentage of Capital</u>
Jonathan Mark Swann*	68,075,000	13.45
Ox Distributing**	42,739,994	8.44

* Mr Swann also holds convertible unsecured loan notes with a value of £1.6 million. The convertible loan notes carry a coupon of 12% annum, have a maturity date on 15 May 2028, and will be convertible into Ordinary Shares at 2.15 pence per Ordinary Share, representing a further 74,418,605 potential shares on conversion of the loan notes. The terms of these £1.6 million convertible loan notes were revised by mutual agreement with Mr Swann during May 2025.

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

Share Capital

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

Corporate Governance Statement

The Board is committed to maintaining appropriate standards of corporate governance, recognising its responsibility to ensure effective oversight and management of the Group's affairs in the interests of shareholders and other stakeholders. The statement below explains how the Company has approached corporate governance during the period and includes the information required under section 7 of the Disclosure Guidance and Transparency Rules of the UK Financial Conduct Authority.

The Company is listed on the Main Market of the London Stock Exchange and is aware of the provisions of the UK Corporate Governance Code ("the Code"). However, the Company has not formally adopted the Code and does not apply it in full, given its current size, scale and resources. The Board instead seeks to observe and apply the principles of good governance contained in the Code to the extent considered appropriate and proportionate to the Company's circumstances. The Board continues to review its corporate governance framework regularly and intends to adopt additional elements of the Code as the Group grows and its operations mature.

Approach to Governance, Strategy and Risk Management

The Group operates as a consumer packaged goods distribution company, focused on the distribution of wellness products and fast-moving consumer goods (FMCG), including nicotine pouches, vapes, beverages, supplements and wellness products through both its e-commerce platform and its Chill Connect distribution division.

The Board recognises that effective governance plays a central role in supporting the Group's ability to deliver its strategic objectives and create long-term shareholder value. The Board maintains oversight of all key matters, including capital allocation, entry into material contracts and partnerships, regulatory compliance, and financial

reporting. The Board receives regular updates from the executive team and engages in active oversight of business performance, strategic direction, key transactions and risk exposure.

The principal strategic risks considered by the Board include:

- The regulatory environment in relation to the sale, marketing and distribution of regulated consumer products, for which the Group obtains legal advice as appropriate;
- Cash flow and working capital management, common to all product-based trading businesses, now addressed through enhanced financial planning under the oversight of the Group's Chief Financial Officer;
- The viability and market acceptance of product lines, requiring active management of product mix and commercial partnerships.

The Board actively monitors these risks and oversees management's response to them as part of its regular cycle of meetings and decision-making.

Sustainability of the Business Model

The Board is focused on building a resilient and scalable operating platform to support the Group's long-term growth. In prior years, many of the Group's business functions were outsourced to external partners. The current strategic focus is on building internal operational capabilities and diversifying the product offering to adapt to changing consumer preferences and evolving regulatory requirements. The Board considers that these steps are critical to the long-term sustainability of the business model.

While the Group does not yet operate formal ESG or sustainability programmes, the Board recognises the growing importance of such considerations and will keep its approach to sustainability, governance and stakeholder engagement under review as the Group grows.

Board Composition and Committees

Since the constitution of the new Board of Directors on 4 June 2024, steps have been taken to strengthen the Company's corporate governance framework. The Board currently comprises four directors, including two independent non-executive directors. Following recent changes, the Audit Committee and the Remuneration Committee have both been reconstituted, although further development of their roles and procedures is ongoing. The Board is informed regularly by the executive team to ensure that non-executive directors are kept abreast of material developments and operational performance.

The Board remains committed to keeping its governance arrangements under regular review and will seek to implement further governance measures as appropriate to the Group's size, complexity and stage of development.

Board of Directors

During the year ended 31 March 2024, the Group's Board consisted of three Executive Directors and two Non-Executive Directors. Mr Callum Sommerton serves as the Group's Chief Executive Officer. Subsequent to the year-end, Mr Antonio Russo and Mr Trevor Taylor, Chief Commercial Officer and Chief Operating Officer, respectively were removed from the Board of Directors and replaced by Aditya Chathli and Graham Duncan as Non-Executive Chairman and Finance Director, respectively. Mr Eric Schrader, a Non-Executive Director resigned from his position on 7 June 2024 and Mr Scott E. Thompson resigned on 30 September 2024. Nick Tulloch was appointed as a Non-Executive Director on 5 September 2024.

The Board meets regularly throughout the year to discuss key issues and to monitor the overall performance of the Company. All corporate and operational matters are considered by the Board as a whole while consideration of matters relating to the preparation of financial statements, audit of such statements, the nomination of directors and their remuneration are deferred to the relevant committees. More information about the Board can be found on the Group's corporate website www.chillbrandsgroup.com.

The Board confirms that it has carried out a robust assessment of the Company's emerging and existing risks, including those that could threaten its business model, future performance, solvency or liquidity. The principal risks and uncertainties facing the Group are described elsewhere in this report. The Board continues to monitor these risks on an ongoing basis and ensures that appropriate controls and mitigating actions are in place to support the Company's long-term viability.

As the Company continues to expand its operations and build internal capabilities, the Board recognises the importance of investing in and incentivising its growing workforce. In support of this, the Board intends to establish a range of incentive structures designed to attract, motivate and retain talent. These will include performance-driven cash incentive schemes, particularly focused on rewarding the sales teams for commercial success, as well as the development of a broader equity-based incentive plan that will allow employees to participate in the long-term growth and value creation of the Company by receiving a direct stake in its future performance.

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

Audit Committee

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

The Group established an audit committee during the Period, comprising Callum Sommerton, Trevor Taylor, and Scott Thompson. Following Trevor Taylor's removal from the Board, and Scott Thompson's resignation, the audit committee now comprises the Company's Non-Executive Directors, Harry Chathli and Nick Tulloch. For a business of the Company's size, the UK Corporate Governance Code states that an audit committee should comprise of at least two independent non-executive directors and that the chair of the Board should not be a member of the committee. Whilst the audit committee is not formed of members in accordance with Corporate Governance guidelines, the Group believe the composition is commensurate with the size and scope of the Group and its operations. In particular, the Board presently consists of two executive directors and two non-executive directors, including the non-executive Chairman. On that basis it is considered appropriate for the Chairman to sit as part of the audit committee until such time as the Company appoints additional independent non-executive directors. The committee is in the process of establishing its rules and operating procedures. This annual report and the financial statements contained herein were considered by the Board as a whole.

External Independent Auditor

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

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

During the Period, PKF Littlejohn LLP was engaged Reporting Accountant in connection with the Company's prospectus. This task was specifically allocated to PKF Littlejohn's capital markets team, ensuring that there was appropriate separation from the audit team to maintain auditor independence and objectivity.

Remuneration Committee

There was no separate Remuneration Committee during the Period, instead all remuneration matters were to be considered by the Board as a whole. Since the end of the Period, the Company has established a Remuneration Committee that initially comprises the Company's Non-Executive Directors, Harry Chathli and Nick Tulloch. The Remuneration Committee will meet when required to consider all aspects of directors' and staff remuneration, share options and service contracts.

Nominations Committee

The Company has not yet established a nominations committee. Instead, nominations are considered by the Board as a whole with input from professional advisors and other key stakeholders. The Company intends to establish a Nominations Committee which is expected to initially comprise of the Company's Non-Executive Directors.

Internal Financial Control

The Company has instituted a range of internal financial controls aimed at safeguarding its assets and ensuring the maintenance of accurate and reliable accounting records. The Company is committed to continuous improvement and enhancement of these measures to protect its assets effectively and the policy outlined here has been adopted by the current Board as constituted on 4 June 2024.

The maintenance of proper records is a key component of these internal financial controls. This responsibility is overseen by the Finance Director, Graham Duncan, and the records are meticulously prepared by an independent bookkeeper appointed specifically for this function in the UK. This separation of duties ensures that the records are not only accurate but also impartial, providing a strong foundation for the Company's financial reporting and decision-making processes.

To further safeguard assets, the Company involves the entire Board and its advisors in all decisions related to the treatment and potential disposal of any assets. This collective approach ensures that all perspectives are considered, and the best possible decisions are made in the interest of the Company and its stakeholders.

Additionally, a stringent payments policy has been implemented wherein all payments require the approval of both the CEO and the Finance Director. This dual-approval mechanism acts as a critical checkpoint, preventing unauthorised or potentially detrimental financial transactions.

The Board continues to evaluate procedures to ensure thorough transaction approval, comprehensive risk assessment, and careful consideration of capital expenditures. By adopting these strategies, the Board aims to maintain robust financial controls that are suitable for a business of the Company's size. This proactive approach is designed to create a secure financial environment that supports the Company's growth and operational integrity.

The Board is particularly mindful of the need for these measures, and for additional financial safeguards, in light of the issues that arose in the months following the year end - specifically those relating to the treatment of the Company's capital and assets. These events have reinforced the Board's commitment to rigorous internal controls and heightened oversight of all financial transactions.

Shareholder Communications

The Company considers open and transparent communication with its shareholders to be a high priority and is committed to sharing as much information as possible while protecting the Company’s legitimate interests and position with vendors, suppliers, customers, and partners. The Group uses its corporate website (www.chillbrandsgroup.com) to publish information relating to the company, providing a feed of RNS announcements and relevant company documents to all stakeholders. The Company’s Directors also seek to engage with other forms of media that may be helpful in promoting the Company and investment case, alongside providing news and context. These include webinars, such as the session held in response to the Government’s proposals to ban disposable vape products, podcasts, and other media formats. Through this multi-channel approach the Company aims provide a more discursive and transparent insight into the business and its operations.

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

DIRECTORS’ REMUNERATION REPORT

The Directors’ Remuneration Report for the year ended 31 March 2024 and the Directors’ Remuneration Policy will be proposed for approval by shareholders at the Group’s reconvened Annual General Meeting that will be announced shortly.

The Annual Report was not published prior to the AGM held on 30 September 2024, as a result, the AGM will be adjourned in relation to those resolutions connected to the Annual Report (including the Directors’ Remuneration Report for the year ended 31 March 2024 and the Directors’ Remuneration Policy).

It is the intention of the Board to balance the incentivisation of Directors for future success with the current financial performance of the Company when determining rates of remuneration. The Remuneration Policy has also been reviewed in line with the wider working and pay conditions for employees across the Group with a view to implementing a policy that is substantively fair and reflective of performance.

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

Future policy table

	<u>Base Salary</u>	<u>Pension Contribution</u>	<u>Benefits in kind</u>	<u>Bonus or incentive plan</u>
Executive Directors				
C Sommerton	GBP £85,000	Statutory Minimum	Nil	Ad hoc basis see below
G Duncan	GBP £36,000	Statutory Minimum	Nil	Ad hoc basis see below
Non-Executive Directors				
A Chathli	GBP £24,000	Nil	Nil	Nil
N Tulloch	GBP £24,000	Nil	Nil	Nil

The service contracts are reviewed annually.

Benefits in Kind

During the Period, the Group paid healthcare premiums for its US staff at the prevailing rates.

Bonus or Incentive Plan

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

During the Period, the Company proposed the grant of options to its executive Directors, as announced on 11 September 2023 and considered by Shareholders at the 2023 Annual General Meeting. Subsequently, the Enterprise Management Incentive (EMI) plan relevant to the award to the Company's CEO was not formally adopted by the Board, and no award certificates or letters were issued under the Company's Long Term Incentive Plan (LTIP). The Board intends to consider appropriate management incentives in light of the Company's current status and will provide further information in the future. It is not expected that the Company will choose to enact or adopt those proposals announced on 11 September 2023.

Service Contracts

Mr. Sommerton was initially employed from 1 December 2021 in his previous capacity as International Brand Director. His Director's Service Contract in relation to his role as Chief Executive Officer commenced on 15 April 2022. Mr. Sommerton is paid at an annual rate of GBP £85,000 per annum plus contributions to the Group's statutory workplace pension scheme and the ability to participate in any bonus awards.

Mr. Russo and Mr. Taylor were employed on an initial fixed term of one year from 1 April 2019 and their contracts automatically renewed annually for a further one year period unless either party gave at least 60 days' notice of termination prior to a renewal date, save in the case of a material breach of contract when the Executive could be dismissed without notice. Mr. Russo was paid at a rate of \$175,000 per annum. Mr. Taylor was paid at a rate of US\$100,000 per annum with provisions for his salary to increase in line with revenue and at the confirmation of the Board. Both Mr. Russo and Mr. Taylor received healthcare benefits and participated in any bonus awards.

Mr. Thompson was appointed as an Independent Non-Executive Director in accordance with the terms of an appointment letter dated 21 January 2021. For his service, he was entitled to fees amounting to \$15,000 and did not receive any additional financial benefits. Upon his appointment, he was awarded 100,000 ordinary shares.

Mr. Schrader was appointed as a Non-Executive Directors in accordance with the terms of an appointment letter dated 27 May 2022. For his service on the Board he was entitled to fees amounting to \$10,000 and was further contracted to provide sales services at a rate of \$2,500 per month. This fee was revised to \$5,000 per month from February 2024.

Mr. Duncan was appointed on 4 June 2024 following a General Meeting of the Company's shareholders. He has provided his services to the Company at a rate of £2,000 per month pending the issuance of an employment contract for his services as an executive director. Henceforth, he will be paid at a rate of £36,000 per annum to be reviewed by the Company's remuneration committee during Summer 2025 and semi-annually thereafter.

Mr. Chathli was appointed on 4 June 2024 following a General Meeting of the Company's shareholders. He provides his services to the Company in accordance with a letter of appointment dated 16 July 2024 and is paid at a rate of £24,000 per annum.

Mr. Tulloch was appointed to the Board on 5 September 2024 and he provides his services to the Company in accordance with a letter of appointment dated 4 September 2024. He is paid at a rate of £24,000 per annum for his services.

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

Approval by Members

The Group's remuneration policy will be put before the members for approval at the reconvened Annual General Meeting to be held on the earliest practical date in 2025 following the publication of this report. Further information regarding this reconvened meeting will be announced in due course.

IMPLEMENTATION REPORT

Particulars of Directors' Remuneration (audited)

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

Remuneration paid to the Directors during the year ended 31 March 2024 was:

Executive Director	Base Salary	Benefits in Kind	Pension contributions	Compensation for Loss of Office	Total
	£	£	£	£	£
C Sommerton*	85,000	-	2,642	Nil	87,642
A Russo	140,382	23,998	-	Nil	164,380
T Taylor	82,720	25,223	-	Nil	107,943
E Schrader	25,986	-	-	Nil	25,986
S Thompson	13,993	-	-	Nil	13,993

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

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

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

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

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

Payments to Past Directors (audited)

There were no payments to past directors during the year ended 31 March 2024.

Payments for Loss of Office (audited)

There were no payments to past directors for loss of office during the year ended 31 March 2024.

Bonus and Incentive Plan (audited)

On 11 September 2023, the Company announced a new Management Incentive Plan aimed at aligning the interests of its executive directors with those of its shareholders. The plan involved granting share options to the three Executive Directors, subject to shareholder approval at the Annual General Meeting (AGM) held on 19 September 2023. Following approval by shareholders, the plan was subject to final authorisation by the Board. The plan was not formally adopted by the Board and no award certificates or letters were issued. As a result, the options proposed to be issued under the new Management Incentive Plan were not ultimately granted.

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

The following table shows the percentage change in the remuneration of the Chief Executive in 2024 and 2023 compared to that of all employees, except directors, within the Group.

		2024 £	2023 £	Change %
Base Salary	Chief Executive	85,000	90,000	(5.55%)
	All*	384,359	446,049	(13.83%)
Bonuses	Chief Executive	-	-	0.00%
	All*	-	-	0.00%
Benefits in Kind	Chief Executive	-	-	0.00%
	All*	57,281	46,287	23.75%
Total Remuneration	Chief Executive	85,000	90,000	(5.55%)
	All*	441,640	519,386	(14.96%)

*The figure for “all employees” excluding the Chief Executive.

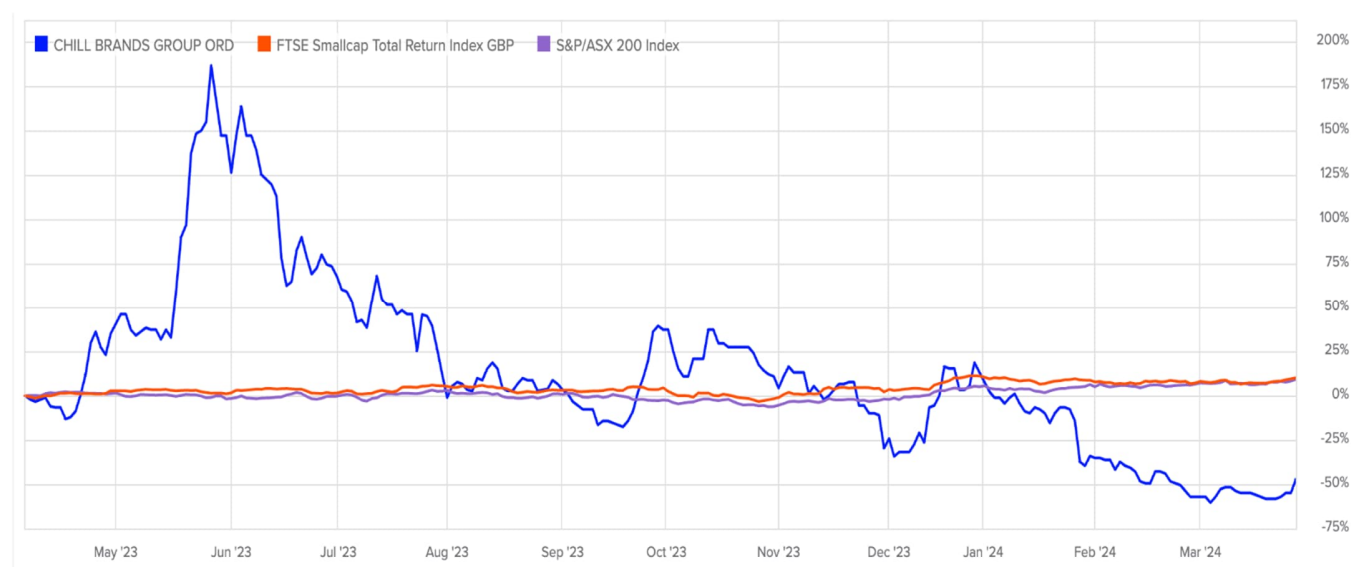
Relative Importance of Expenditure on Remuneration

	2024 £	2023 £	Year on Year
Total Chief Executive's Remuneration (including share based payments)	85,000	90,000	(5.55%)
Distributions to Shareholders			N/A

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

Total Shareholder Return

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



Historic Remuneration of the Chief Executive

Year	Salary	Bonus	Benefits in Kind	Share Based Payments	Total
	£	£	£	£	£
2020	193,151	-	39,718	-	232,869
2021*	152,673	-	36,998	1,410,268	1,599,939
2022*	188,829	-	53,831	470,090	712,750
2023	90,000	-	-	-	90,000
2024	85,000	-	-	-	85,000

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

Directors’ Interest in Shares (audited)

The Company has no Director shareholding requirement.

The beneficial interest of the Directors in the ordinary share capital of the Company at both 31 March 2024 and 31 March 2025 was:

Director	Number of Shares		Percentage of Issued Shared Capital		Percentage Change
	31 March 2024	31 March 2025	31 March 2024	31 March 2025	
A Russo	6,950,000	6,950,000	2.67%	2.42%	(0.25%)
T Taylor	6,950,227	6,950,227	2.67%	2.42%	(0.25%)
C Sommerton	266,668	266,668	0.00%	0.00%	0.00%
E Schrader	26,755,416	26,755,416	10.25%	9.41%	(0.84%)
S Thompson	100,000	100,000	0.00%	0.00%	0.00%
G Duncan	-	-	-	-	-
A Chathli	-	-	-	-	-
N Tulloch	-	-	-	-	-

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

Director	At 1 April 2023	Granted in the Period	Exercised in the Period	Lapsed in the Period	At 31 March 2024
A Russo	2,887,500	-	-	-	2,887,500
T Taylor	2,887,273	-	-	-	2,887,273
Total	5,775,000	-	-	-	5,775,000

Remuneration Committee

The Remuneration Committee, which was formed after the end of the Period in review following the appointment of new directors on 4 June 2024, is comprised of the Company’s two non-executive directors, Harry Chathli and Nick Tulloch. The Committee meets as required to consider all aspects of directors’ and staff remuneration, including share options and service contracts.

Where appropriate, the Committee may consult with the wider Board and external advisors, but decisions on remuneration are taken independently by the non-executive members.

Shareholder Voting at the Annual General Meeting

The Directors’ Remuneration Report for the year ended 31 March 2023 and the Directors’ Remuneration Policy were approved by the shareholders at the Annual General Meeting held on 19 September 2023.

The votes cast were as follows:

<u>Directors' Remuneration Report</u>	<u>Number of Votes</u>	<u>% of Votes Cast</u>
For	78,693,137	99.87%
Against	37,278	0.05%
Number of Votes Withheld	65,248	0.08%
Total Votes Cast	78,795,663	100%

<u>Directors' Remuneration Policy</u>		
For	78,667,131	99.84%
Against	63,284	0.08%
Number of Votes Withheld	65,248	0.08%
Total Votes Cast	78,795,663	100%

This is the Company's eighth period of operation. There have been no major changes during the period either in the policy on directors' remuneration or its implementation, including terms of service for the Directors.

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



Callum Sommerton, Chief Executive Officer

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

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

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

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

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

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations, and for ensuring that the Annual Report includes information required by the Listing Rules of the Financial Conduct Authority.

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

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

We confirm that to the best of our knowledge:

- the Company financial statements, prepared in accordance with UK adopted IAS give a true and fair view of the assets, liabilities, financial position and profit of the Company;

- this Annual Report includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that it faces; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

ENVIRONMENTAL RESPONSIBILITY AND GREENHOUSE GAS DISCLOSURES

The Directors recognise the importance of assessing and managing the impact of the business and its operations on the environment. Given that the Company is at an early stage of its growth under its current business model, it has it not always appropriate or possible to fully measure the Company's emissions and environmental impact as its operations are in a state of transition. The Company is committed, however, to adopting a compliant approach to all relevant rules and regulations.

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

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

In calculating its greenhouse gas emissions, the Company used The Climate Registry's default electricity and natural gas square footage emission intensities to estimate electricity and natural gas usage for each office space. The result in kilowatt hours of electricity or cubic feet of natural gas used was multiplied by appropriate default emission factors to calculate metric tonnes of carbon dioxide equivalent (CO₂e). Owing to the Company's use of a model that outsources most major operational functions to third party vendors, it has confined its measurement and reporting approach to those direct outputs from the Company's staff, calculated in line with the methodology used by external experts engaged to quantify the Company's output in the prior year. The Directors consider it appropriate to adopt this approach as no material changes to those operations of Company that are captured by this reporting obligation took place during the Period.

For reporting purposes, emissions have been classified in accordance with the Greenhouse Gas Protocol. The Company did not record any Scope 1 emissions during the period, as it does not own or operate any vehicles, combustion facilities or refrigeration equipment. Scope 2 emissions arose from the purchase of electricity for office space and home working arrangements used by Company staff. Scope 3 emissions, including those associated with supply chain activity and product distribution, have not been calculated, as the majority of such operations remain outsourced to third-party vendors.

All reported energy consumption and associated greenhouse gas emissions during the period occurred outside the United Kingdom, reflecting the geographic location of the Company's internal workforce during the period. The principal energy efficiency measure undertaken remains the Company's use of a remote working model, which reduces energy consumption associated with office occupancy, business travel and commuting.

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

	Consumption: kWh	Consumption: Cubic Feet of Gas	Emissions: tCO2e
Electricity	65,174	-	30.60
Natural Gas	-	109,853	5.99
		Total:	36.59

The Company will continue to monitor its environmental footprint and seek to minimise its carbon emissions, balancing commercial needs with environmentally responsible choices. In particular, we intend to take proactive steps to reduce environmental harms associated with the production and distribution of batteries in our vape products. As part of our broader energy efficiency strategy, we are planning to reduce reliance on air freight by shifting to sea and consolidated freight wherever feasible, and to adopt more efficient packaging and distribution practices across our consumer goods portfolio. Further reporting, analysis and commentary will be provided in future reports as the Company's operations mature.

DISCLOSURE AND TRANSPARENCY RULES

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

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

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

REQUIREMENTS OF THE LISTING RULES

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

Listing Rule requirement

Details of long-term incentive schemes as required by Listing Rule 9.4.3R	See Directors' Remuneration Report page 36
Details of any arrangement under which a Director of the Company has waived emoluments from the Company	n/a

Details of any allotment for cash of equity securities made during the period otherwise than to the holders of such equity shares other than in proportion to their holdings of such equity shares and which has not been specifically authorised by the Company's shareholders

Note 19 on page 82

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

Note 26 on page 89

Details of remaining service contract period for director standing for re-election this year

See service contracts details on page 36

FINANCIAL INSTRUMENTS

The Company has exposure to credit risk, liquidity risk and market risk. Note 25 presents information about the Company's exposure to these risks, along with the Company's objectives, processes and policies for managing the risks.

EVENTS AFTER THE REPORTING PERIOD

Following the end of the Period, there was a dispute related to the removal of certain Directors by shareholder vote, prompted by the receipt of a requisition letter calling for a General Meeting on 16 April 2024. This dispute resulted in the withdrawal of almost \$400,000 from the Company's accounts and increased professional advisory costs, particularly for legal advice in the UK and US. Additionally, it led to the temporary removal of the Company's intangible domain asset, Chill.com, from its ownership and control between June 2024 and December 2024, when an out-of-court settlement was reached. The Chill.com domain asset is now under the management and control of the Company.

Since the end of the Period, the UK Government has introduced legislation that banned the sale of disposable vapes in the UK with an effective date of 1 June 2025. The Company's existing range of Chill ZERO nicotine-free disposable vapes will be included in this ban and the Company will therefore need to develop and launch new, complaint devices in order to maintain a revenue stream derived from sales of vape products in the UK.

On 24 April 2025, the Company announced that its largest shareholder, Jonathan Swann, had committed to underwrite a convertible loan note facility with a principal value of £1,000,000. Other investors were invited to subscribe for convertible loan notes on identical terms, with those investing up to £50,000 required to remit funds at the point of subscription, and those investing more than £50,000 subject to drawdown mechanics at the discretion of the Company. The Convertible Loan Notes were priced at 1.5 pence per loan note, have a term of three years, and carry interest of 10 per cent per annum. Each entitles the subscriber to a new ordinary share of 1 pence per share. As part of the fundraising, subscribers are also entitled to a 1-1 warrant priced at 125% of the 10-day moving average at the time of funds being drawn. For any funds drawn prior to the Company's shares returning to trading following their suspension commenced on 3 June 2024, the average share price used for calculation of the warrant price shall be 1.5 pence per share.

No other matters or events occurring after 31 March 2024 are expected to have an impact on the Company's financial statements for the Period.

DIRECTORS' INDEMNITY PROVISIONS

The Group has implemented Directors and Officers Liability Indemnity insurance throughout the Period.

GOING CONCERN

The Directors have considered the appropriateness of preparing the financial statements on a going concern basis. In conducting this assessment, they have taken into account the Group's current financial position, recent and anticipated fundraising activities, and the forecast cash flows for the foreseeable future.

During the period following the end of the financial year, the Group's operations were principally supported by revenue derived from commercial activity undertaken in the previous financial year, together with proceeds received pursuant to a financing round completed in January 2024. The period was characterised by constrained liquidity, due in part to substantial legal and professional costs arising from corporate dispute matters. Despite these pressures, the Group maintained continuity of operations through prudent cash management and targeted capital deployment.

In respect of remainder of the 2025 calendar year and financial periods commencing during that time, the Board anticipates that the Group's operational funding requirements will be met through further capital raising initiatives. Notably, the Group's largest shareholder, Jonathan Swann, has underwritten a commitment of up to £1 million, which is being made available to other through a Convertible Loan Note (CLN) facility. The CLNs carry a fixed annual interest rate of 10%, mature after three years, and are convertible into ordinary shares at a price of 1.5 pence per share. Warrants are attached to each CLN tranche, with the exercise price to be determined based on the volume-weighted average price (VWAP) of the Company's shares at the time of drawdown.

The Board believes that the capital available under this facility will provide adequate financial resources to support the Group's core commercial operations for the duration of the next financial year. However, the Board acknowledges that further funding may be required in due course in order to respond to unforeseen challenges or to pursue future strategic opportunities.

The Directors have assessed the Group's ability to continue as a going concern and, in doing so, have considered the Group's current cash position, expected trading performance, committed funding arrangements and the requirement for further fundraising activities. Based on this assessment, the Directors have concluded that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. In particular, the Group's continued ability to operate is dependent on securing additional funding beyond the resources currently committed, and there can be no certainty that such funding will be available at the necessary time or on acceptable terms.

Notwithstanding this material uncertainty, having considered the mitigating actions available to the Group, including the ability to reduce operating costs if required, and having regard to the Group's historical ability to raise external finance, the Directors have a reasonable expectation that the Group will have access to adequate resources to continue in operational existence for at least twelve months from the date of approval of these financial statements. Accordingly, the financial statements continue to be prepared on a going concern basis.

DONATIONS

The Company made no political donations during the period.

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



Callum Sommerton, Chief Executive Officer

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

Opinion

We have audited the financial statements of The Chill Brands Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2024 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statement of Cashflows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the group and Parent Company financial statements is applicable law and UK-adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2024 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2.2 in the financial statements, which indicates that the going concern status is dependent on the group's ability to raise further funds across the going concern period where actual revenue is lower than forecasted amounts by management. Alongside this matter, the Group incurred a net loss of £3,370,293 during the year ended 31 March 2024 (2023: £4,287,891) and has historically been loss making in prior financial periods, indicating an inability of the underlying business to support the parent company and group. As stated in Note 2.2, these events or conditions, along with the other matters as set forth in note 2.2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included, but was not limited to, the following procedures:

- Obtaining and documenting our understanding of the controls in place around the preparation of the going concern forecast and future plans for the group through discussions with management;
- Obtaining management's assessment for going concern for the 15-month period to 31 October 2026 and checking the mathematical accuracy of the cash flow forecasts and budgets prepared;
- Comparing budgeted performance for the year ended 31 March 2024 against actual to assess management's historical forecasting accuracy;
- Challenging management where appropriate on the reasonableness of key inputs and assumptions underpinning the going concern model. These challenges included but not limited to:

- o Performing sensitivity analysis on key inputs and assumptions to assess the headroom across the going concern period. Key inputs and assumptions included: (i) sales growth rates, (ii) long-term profitability/margins, (iii) levels of operating expenditure, and (iv) cost-saving initiatives;
- o Assessing management's worst-case scenario testing performed and corresponding mitigating actions;
- o Assessing management's assumptions against external factors and market trends for appropriateness;
- o Agreeing the opening cash position at 1 May 2025 in the going concern forecast; and
- o Assessing the prospective accuracy of management's forecast in 2025 against post year-end bank statements and management accounts;
- Reviewing the terms of debt financing facilities within the group to confirm their availability across the forecast period;
- Undertaking a review of subsequent events on matters impacting the going concern assessment; and
- Considering the adequacy of the disclosures and accounting policies in the financial statements.

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

Our application of materiality

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 audit procedures on the individual financial statement line items and disclosures in evaluating the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

	Financial statements - group	Financial statements – parent company
Overall materiality	£225,000 (2023: £221,000)	£99,000 (2023: £59,000)
Basis for determining overall materiality	8% (2023: 8%) of loss before taxation adjusted for non-recurring transactions	8% (2023: 8%) of loss before taxation adjusted for unusual and non-recurring transactions
Rationale for the benchmark applied	We considered the nature of the group and its business operations, being one of development, marketing and distribution of wellness and recreational products. The group's core activities result in profitability being the main driver, with profit or loss before taxation being deemed a key metric for measure of performance by both group management and external users of the financial statements, shareholders and wider	Rationale for the parent company overall materiality parallels with that of the group.

	stakeholders as the group seeks to reduce their cost base and refocus their business strategy in light of legislative and operational changes. On this basis, adjusted loss before taxation was determined to be an appropriate basis for determining overall materiality.	
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	Financial statements - group	Financial statements – parent company
Performance materiality	£157,000 (2023: £154,200)	£69,000 (2023: £41,300)
Basis for determining performance materiality	70% (2023: 70%) of overall group materiality	70% (2023: 70%) of overall parent company materiality
Rationale for the benchmark applied	In determining the performance materiality, we have considered the following factors: • The level of significant judgements and estimates; • The risk assessment and aggregation of risk and the effectiveness of controls; • The control environment and the group's financial reporting controls and processes; and • The stability of key management personnel.	

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £11,000 for the audit of the group and £4,000 for the parent company as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Our approach to the audit

In designing our audit approach, we determined materiality and assessed risk of material misstatement in the financial statements. In particular, we looked at areas involving significant accounting estimates and judgements by the directors, including the recognition of revenue, the carrying value and recoverability of intangible assets and going concern. Procedures were then performed to address the risk identified and for

the most significant assessed risks of misstatement, the procedures performed are outlined below in the key audit matters section of this report. We re-assessed the risks throughout the audit process and concluded that the scope remained in line with that determined at the planning stage of the audit.

The group includes the listed parent company and US-based subsidiaries, of which only Chill Corporation was considered to be a financially significant component. We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

No component auditors have been used and as group auditors we audited the significant component in the United States for the year ended 31 March 2024. This gave us sufficient appropriate audit evidence for our audit opinion on the group financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our scope addressed this matter
Revenue recognition (note 3)	
Under ISA (UK) 240, there is a rebuttable presumption that revenue recognition is a significant fraud risk. During the year ended 31 March 2024 the parent company entered into a series of sales and distribution agreements in the UK. These new agreements allowed the Group to penetrate the vaping industry, with revenue increasing to £1.9m in the financial period (2024: £0.1m). We consider the risk in relation to the potential manipulation of revenue arises from the incorrect recognition of revenue transactions and postings of inappropriate journal entries via management override. The performance obligations within the main sales and distribution agreements are both satisfied at a point in time, either upon delivery to Phoenix 2 Retail or upon delivery to final consumer under The Vaping Group agreement. While there is limited judgement required by management in applying the Group's revenue recognition policy, the differences in the timing of when revenue is to be recognised increases the risk of	Our work in respect of this key audit matter included: • Obtaining and documenting an understanding of the internal control environment in operation and undertaking walk-throughs to assess whether key controls within the revenue processes and systems have been designed and implemented effectively; • Reviewing the revenue recognition policies against the requirements of IFRS 15 <i>Revenue from contracts with customers</i> and assessing the adequacy of disclosures made within the financial statements; • Analysing the population of all material journals posted to revenue nominal codes using data analytics to identify instances of manipulation or incorrect recognition; • Performing, on a sample basis, substantive tests of detail on revenue transactions to ensure the accuracy and occurrence of revenue through to supporting documents including sales

inappropriate revenue recognition under IFRS 15 Revenue from contracts with customers. A material error in this balance could affect the financial statement user's decision, and therefore revenue recognition is deemed to be a key audit matter for the year ended 31 March 2024.	invoices, shipping documentation and bank statements; and • Testing the cut-off of revenue for the year by selecting samples from pre and post yearend revenue reports to ensure that revenue was appropriately recognised in the correct period. Key observations Based on the audit procedures performed above, we did not identify any instances of management override and are satisfied that revenue has been recognised in accordance with the recognition criteria set out in IFRS 15.
Carrying value and recoverability of intangible assets (note 13)	
The group has recognised an intangible asset of £1.1m at the year-end, pertaining to the domain name "Chill.com" which was acquired by the Group in the year ended 31 March 2022. The domain name is considered by management to be critical to the long-term success of the group, with value being attributed to future cash inflows derived directly from the intangible fixed asset. Under IAS 36 <i>Impairment of Assets</i>, the domain name should be assessed at the end of each reporting period for indicators of impairment. Where indicators of impairment are subsequently identified in the financial period, an assessment of the asset's carrying value must be performed by management against its recoverable amount. There is a prevailing risk that the carrying value of the domain name exceeds the recoverable amount as at 31 March 2024, given that the group has made a significant trading loss for the year ended 31 March 2024 and historically in successive financial periods. Any impairment assessment on the carrying value of the Chill.com domain name will involve significant judgement and estimation from management due to the inherent uncertainty and subjectivity	Our work in respect of this key audit matter included: • Evaluating the carrying value as at 31 March 2024 in line with the requirements of IAS 38 <i>Intangible Assets</i>; • Reviewing for indicators of impairment in accordance with the requirements of IAS 36; • Obtaining management's impairment assessment and reviewing for mathematical accuracy; • Reviewing and challenging management's assessment of impairment of the intangible asset and all underlying inputs and assumptions used therein; • Discussing with management the rationale and usage of the domain name as part of considerations of the wider business operations and future plans; and • Considering the adequacy of the disclosures and accounting policies in respect of intangible assets in the financial statements. Key observations Based on the audit procedures performed, we are satisfied with management's assessment and conclusion that no impairment is required on the intangible asset.

around key assumptions incorporated into the assessment.

Due to the estimation uncertainty on the determination of an appropriate recoverable amount and the material nature of the carrying value of the domain name, this was considered to be a key audit matter in the audit for the year ended 31 March 2024.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the group and parent company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the group and parent company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

- We obtained an understanding of the group and parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, industry research, application of cumulative audit knowledge and experience of the sector.
- We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from Companies Act 2006, Listing Rules, Disclosure and Transparency Rules, The Proceeds of Crime Act, The Food Standards Agency (FSA), The Federal Food, Drug, and Cosmetic Act (FD&C Act) as regulated by the FDA which regulates the synthetic nicotine in the USA.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent company with those laws and regulations. These procedures included, but were not limited to:
 - o Enquiries of management;
 - o Review of Board and other Committee minutes;
 - o Review of Regulatory News Announcements (RNS); and
 - o Review of legal and regulatory correspondence.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business. In this context we view the significant estimates as being the carrying value and recoverability of the intangible asset, the valuation of inventory and the valuation and classification of convertible loan notes and the valuation of share-based payments.

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

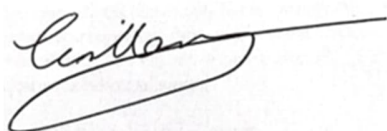
We were appointed by the Board of Directors on 2 April 2024 to audit the financial statements for the period ending 31 March 2024 and subsequent financial periods. Our total uninterrupted period of engagement is 6 years, covering the periods ending 31 March 2019 to 31 March 2024.

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Timothy Harris (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

15 Westferry Circus
Canary Wharf
London E14 4HD

20 June 2025

Chill Brands Group PLC
Consolidated Statement of Comprehensive Income
For the years ended 31 March 2024 and 2023

	<u>Notes</u>	<u>Year ended 31 March 2024 £</u>	<u>Year ended 31 March 2023 £</u>
Revenue	3	1,908,020	82,840
Cost of sales		(1,040,053)	(61,798)
Obsolete inventory expense	15	(395,157)	(227,901)
Gross profit / (loss)		472,810	(206,859)
Administrative expenses		(3,523,507)	(2,636,115)
Share expenses for options granted	20	-	(1,126,846)
Operating Loss	5	(3,050,697)	(3,969,820)
Finance income		87,033	24,159
Finance cost		(377,082)	(323,556)
Other income		270	6,203
Loss on ordinary activities before taxation		(3,340,476)	(4,263,014)
Taxation on loss on ordinary activities	8	-	-
Loss for the period from continuing activities		(3,340,476)	(4,263,014)
Loss for the period from discontinued activities	9	(29,817)	(24,877)
Loss for the period		(3,370,293)	(4,287,891)
Other comprehensive income			
Items that may be re-classified subsequently to profit or loss:			
Foreign exchange adjustment on consolidation		(32,832)	(24,241)
Total comprehensive income for the period attributable to the equity holders		(3,403,125)	(4,312,132)
Basic and diluted earnings per share attributed to the equity holders:			
Attributable to continuing activities		(0.96) p	(1.75) p
Attributable to discontinued activities		(0.01) p	(0.01) p
Total	10	(0.97) p	(1.76) p

The notes on pages 62 to 90 form an integral part of the financial statements.

Chill Brands Group PLC
Registered Number: 09309241

Consolidated Statement of Financial Position

At 31 March 2024 and 2023

		At 31 March 2024 £	At 31 March 2023 £
	Notes		
Non-Current Assets			
Property, plant, and equipment	11	28,780	42,612
Right of use lease asset	12	178,118	210,216
Intangible assets	13	1,135,497	1,209,424
Total Noncurrent Assets		1,342,395	1,462,252
Current Assets			
Inventories, net of provisions	15	139,838	464,028
Trade and other receivables	16	2,467,704	447,367
Cash and cash equivalents	17	1,315,289	3,767,426
Total Current Assets		3,922,831	4,678,821
Total Assets		5,265,226	6,141,073
Non-Current Liabilities			
Long-term debt, excluding current maturities	24	1,411,755	4,034,726
Right of use lease liability, net of current portion	12	92,243	149,755
Total Non-current Liabilities		1,503,998	4,184,481
Current Liabilities			
Current maturities of long-term debt	24	211,017	468,893
Trade, other payables and accrued liabilities	18	886,941	540,641
Right of use lease liability, current portion	12	92,393	68,386
Total Current Liabilities		1,190,351	1,077,920
Total Liabilities		2,694,349	5,262,401
Net Assets		2,570,877	878,672
Equity			
Share capital	19	4,953,169	2,611,153
Share premium account	19	14,755,570	10,923,000
Shared based payment reserve	21	4,516,608	4,516,608
Compound loan note equity component reserve	22	19,052	419,168
Shares to be issued reserve		-	1,079,256
Foreign currency translation reserve		203,704	236,536
Other reserve		400,116	-
Retained loss		(22,277,342)	(18,907,049)
Total Equity		2,570,877	878,672

The notes on pages 62 to 91 form an integral part of the financial statements. The financial Statements were approved by the Board of Directors on 20 June 2025 and signed on their behalf by:

CSommerton

Callum Sommerton – Chief Executive Officer

Chill Brands Group PLC
Registered Number: 09309241

Company Statement of Financial Position

At 31 March 2024 and 2023

	Notes	At 31 March 2024 £	At 31 March 2023 £
Current Assets			
Inventories, net of provisions	15	106,735	21,082
Trade and other receivables	16	2,314,002	122,647
Cash and cash equivalents	17	1,225,912	3,544,243
Total Current Assets		3,646,649	3,687,972
Total Assets		3,646,649	3,687,972
Non-Current Liabilities			
Long-term debt, excluding current maturities	24	1,411,001	4,024,766
Total Noncurrent Liabilities		1,411,001	4,024,766
Current Liabilities			
Current maturities of long-term debt	24	202,000	459,792
Trade and other payables	18	528,403	164,463
Total Current Liabilities		730,403	624,255
Total Liabilities		2,141,404	4,649,021
Net Assets / (Liabilities)		1,505,245	(961,049)
Equity			
Share capital	19	4,953,169	2,611,153
Share premium account	19	14,755,570	10,923,000
Shared based payment reserve	21	4,516,608	4,516,608
Compound loan note equity component reserve	22	19,052	419,168
Shares to be issued reserve		-	1,079,256
Other reserve		400,116	-
Retained loss		(23,139,270)	(20,510,234)
Total Equity		1,505,245	(961,049)

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The loss for the financial period dealt with in the accounts of the Company amounted to £2,629,036 (2023: loss £4,588,573). The Parent Company has elected to prepare its financial statements in accordance with UK-adopted IAS.

The notes on pages 62 to 91 form an integral part of the financial statements.

The financial Statements were approved by the Board of Directors on 20 June 2025 and signed on their behalf by:



Callum Sommerton – Chief Executive Officer

Chill Brands Group Plc Consolidated Statement of Changes in Equity for the years ended 31 March 2024 and 2023

	Share capital	Share premium	Share based payment reserve	Loan Note Equity Component reserve	Shares to be issued reserve	Foreign currency translation reserve	Other reserve	Retained losses	Total
	£	£	£	£	£	£	£	£	£
At 1 April 2022	2,120,700	10,298,440	3,389,762	-	89,517	260,777	-	(14,619,158)	1,540,038
Loss for the year	-	-	-	-	-	-	-	(4,287,891)	(4,287,891)
Other comprehensive loss	-	-	-	-	-	(24,241)	-	-	(24,241)
Transactions with owners:									
Issue of warrants and options	-	-	1,126,846	-	-	-	-	-	1,126,846
Shares to be issued	-	-	-	-	1,072,743	-	-	-	1,072,743
Issue of shares	490,453	799,471	-	-	(83,004)	-	-	-	1,206,920
Costs of share issues	-	(174,911)	-	-	-	-	-	-	(174,911)
Equity component of loan notes	-	-	-	419,168	-	-	-	-	419,168
At 31 March 2023	2,611,153	10,923,000	4,516,608	419,168	1,079,256	236,536	-	(18,907,049)	878,672
Loss for the year	-	-	-	-	-	-	-	(3,370,293)	(3,370,293)
Other comprehensive loss	-	-	-	-	-	(32,832)	-	-	(32,832)
Transactions with owners:									
Issue of shares	2,342,016	3,992,025	-	-	(1,060,000)	-	-	-	5,274,041
Costs of share issues	-	(159,455)	-	-	-	-	-	-	(159,455)
Transfer on conversion of convertible loan notes	-	-	-	(400,116)	-	-	400,116	-	-
Termination of shares to be issued	-	-	-	-	(19,256)	-	-	-	(19,256)
At 31 March 2024	4,953,169	14,755,570	4,516,608	19,052	-	203,704	400,116	(22,277,342)	2,570,877

The notes on pages 62 to 91 form an integral part of the financial statements.

Chill Brands Group Plc Company Statement of Changes in Equity for the years ended 31 March 2024 and 2023

	Share capital	Share premium	Share based payment reserve	Loan Note Equity Component reserve	Shares to be issued reserve	Other reserve	Retained losses	Total
	£	£	£	£	£	£	£	£
At 1 April 2022	2,120,700	10,298,440	3,389,762	-	89,517	-	(15,921,661)	(23,242)
Loss for the year	-	-	-	-	-	-	(4,588,573)	(4,588,573)
Other comprehensive loss	-	-	-	-	-	-	-	-
Transactions with owners:								
Issue of warrants and options	-	-	1,126,846	-	-	-	-	1,126,846
Shares to be issued	-	-	-	-	1,072,743	-	-	1,072,743
Issue of shares	490,453	799,471	-	-	(83,004)	-	-	1,206,920
Costs of share issues	-	(174,911)	-	-	-	-	-	(174,911)
Equity component of loan notes	-	-	-	419,168	-	-	-	419,168
At 31 March 2023	2,611,153	10,923,000	4,516,608	419,168	1,079,256	-	(20,510,234)	(961,049)
Loss for the year	-	-	-	-	-	-	(2,629,036)	(2,629,036)
Other comprehensive loss	-	-	-	-	-	-	-	-
Transactions with owners:								
Issue of shares	2,342,016	3,992,025	-	-	(1,060,000)	-	-	5,274,041
Costs of share issues	-	(159,455)	-	-	-	-	-	(159,455)
Transfer on conversion of convertible loan notes	-	-	-	(400,116)	-	400,116	-	-
Termination of shares to be issued	-	-	-	-	(19,256)	-	-	(19,256)
At 31 March 2024	4,953,169	14,755,570	4,516,608	19,052	-	400,116	(23,139,270)	1,505,245

The notes on pages 62 to 91 form an integral part of the financial statements.

Chill Brands Group PLC

Consolidated Statement of Cash Flows

For the years ended 31 March 2024 and 2023

	2024 £	2023 £
Cash Flows From Operating Activities		
Loss for the period	(3,370,293)	(4,287,891)
Adjustments for:		
Depreciation and amortisation charges	216,760	132,779
Inventory impairment provision	395,157	227,901
Provision for expected credit losses	180,000	-
Promotional product in lieu of fees	-	41,818
Share expenses for options granted	-	1,126,846
Termination of shares to be issued	(19,256)	-
Imputed interest on convertible loan notes	343,300	177,722
Shares issued as compensation	-	40,739
Foreign exchange translation adjustment	(14,908)	1,157
Operating cash outflow before working capital movements	(2,269,240)	(2,538,929)
Increase in inventories	(63,181)	(30,029)
(Increase)/decrease in trade and other receivables	(2,200,336)	288,864
Increase/(decrease) in trade and other payables	346,300	(234,692)
Net Cash outflow from Operating Activities	(4,186,457)	(2,514,786)
Cash Flows From Investing Activities		
Payment on purchase of intangible assets	-	(639,192)
Net Cash generated from/(used in) Investing Activities	-	(639,192)
Cash Flows From Financing Activities		
Net proceeds from issue of shares and shares to be issued	2,037,197	2,004,013
Proceeds from issue of convertible loan notes	-	4,693,504
Payments on long-term debt	(19,289)	(18,859)
Interest paid	(127,490)	-
Payments of lease liabilities	(151,873)	(66,173)
Net Cash generated from Financing Activities	1,749,912	6,612,485
Net (decrease) / increase in cash and cash equivalents	(2,447,912)	3,458,507
Cash and cash equivalents at beginning of period	3,767,426	420,405
Foreign exchange adjustment on opening balances	(4,225)	(111,486)
Cash and cash equivalents at end of period	1,315,289	3,767,426
Non-cash Items (not included in the cash flows above)		
Shares to be issued for prepaid consulting fees	-	60,000
Conversion of loan notes to ordinary shares	3,285,505	-

The notes on pages 62 to 91 form an integral part of the financial statements.

Chill Brands Group PLC

Company Statement of Cash Flows

For the years ended 31 March 2024 and 2023

	2024 £	2023 £
Cash Flows From Operating Activities		
Loss for the period	(2,629,036)	(4,588,573)
Adjustments for:		
Share expense for options granted	-	1,126,846
Termination of shares to be issued	(19,256)	-
Shares issued as compensation	-	40,739
Imputed interest on convertible loan notes	331,933	177,722
Inventory impairment provision	27,650	88,564
Provision for expected credit losses	180,000	-
Impairment provision of advances made to subsidiary	1,093,789	2,251,265
Operating cash flow before working capital movements	(1,014,920)	(903,437)
(Increase)/decrease in inventories	(113,303)	14,964
(Increase)/decrease in trade and other receivables	(2,371,354)	35,023
Increase/(decrease) in trade, other payables and accrued liabilities	363,961	(218,825)
Net Cash outflow from Operating Activities	(3,135,616)	(1,072,275)
Cash Flows From Investing Activities		
Investment in and loan to subsidiary	(1,093,789)	(2,251,265)
Net Cash Used from Investing Activities	(1,093,789)	(2,251,265)
Cash Flows From Financing Activities		
Net proceeds from issue of shares and shares to be issued	2,048,564	2,004,013
Proceeds from issuance of loan notes	-	4,693,504
Payments on long-term debt	(10,000)	(10,000)
Interest paid	(127,490)	-
Net Cash Generated from Financing Activities	1,911,074	6,687,517
Net increase (decrease) in cash and cash equivalents	(2,318,331)	3,363,977
Cash and cash equivalents at beginning of period	3,544,243	180,266
Cash and cash equivalents at end of period	1,225,912	3,544,243
Non-cash Items (not included in the cash flows above)		
Shares to be issued for prepaid consulting fees	-	60,000
Conversion of loan notes to ordinary shares	3,285,505	-

The notes on pages 62 to 91 form an integral part of the financial statements.

Notes to the Financial Statements

1. General Information

1.1 Group

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

1.2 Company Income Statement

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The loss for the financial period dealt with in the accounts of the Company amounted to £2,448,403 (2023: loss £4,588,573). The Parent Company has elected to prepare its financial statements in accordance with UK-adopted IAS.

2. Basis of Preparation

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

2.1 Basis of Consolidation

The Group financial information incorporates the financial information of the Company and its controlled subsidiary undertakings, drawn up to 31 March 2024. Control is achieved where the Company:

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

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

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

2.2 Going Concern

The financial statements have been prepared on a going concern basis, which assumes that the Group will continue in operational existence for the foreseeable future, being a period of at least twelve months from the date of approval of these financial statements. In forming their conclusion, the Directors have undertaken a comprehensive assessment of the Group’s current financial position, cash flow forecasts, available funding arrangements, and associated risks.

In the time since the end of the Period, the Company’s operations were primarily supported through revenue generated from commercial activities undertaken in the prior financial year, supplemented by funds raised in a

financing round completed in January 2024. This period required particularly careful cash management, as the Company's financial position was impacted by the significant legal and professional costs incurred in relation to corporate disputes and associated matters.

Looking ahead to the financial year commencing 1 April 2025, the Board expects the Company's financial requirements to be met through further capital raising activities. On 23 May, the Company announced that it had raised £1 million from subscriptions for the issue of convertible loan notes carrying an annual interest rate of 10%, a three-year maturity, and convertible into ordinary shares at a price of 1.5 pence per share. In addition, investors will receive warrants attached to the CLNs, priced in line with the volume-weighted average price (VWAP) of the Company's shares at the time of each drawdown.

The Board considers that the capital provided under the current financing facility will be sufficient to support the continuation of the Company's core commercial operations throughout the financial year ending 31 March 2026. Nevertheless, it may be necessary for the Company to raise additional funding in the future in order to remain viable as a going concern, particularly in the event of unforeseen operational costs or if strategic growth opportunities are to be pursued.

Based on the Company's demonstrated ability to secure financial backing from both new and existing investors in recent periods, and the continued support of major shareholders, the Directors are confident in their ability to raise further funds if and when required.

However, there remains a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. The ability of the Company to continue its operations is dependent on the successful raising of additional funding as and when required. These conditions indicate the existence of a material uncertainty which may cast significant doubt upon the Company's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors have reviewed detailed cash flow projections covering the period to 30 June 2026, which take into account the anticipated timing of drawdowns under the CLN facility and the projected cost base of the Group under various trading scenarios. These projections indicate that the Group will have sufficient financial resources to meet its liabilities as they fall due, subject to successful execution of the fundraising strategy and timely access to committed capital.

However, the Directors acknowledge that material uncertainty exists in relation to the Group's ability to raise additional capital beyond the currently committed facility in the event that revenue growth does not accelerate in line with management expectations. In such a scenario, it may be necessary to implement further cost reduction measures to preserve liquidity. These may include the deferral or reduction of Directors' remuneration, the scaling back of commercial operations to a core cost base, the renegotiation or termination of supplier agreements, and a reduction in personnel. While these actions could have an adverse impact on commercial performance, they are expected to materially reduce operating expenses and thereby extend the Group's cash runway.

Notwithstanding this material uncertainty, after making enquiries and considering the options available to the Company, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of these financial statements. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing these financial statements.

2.3 Business Combinations

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

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The cost of acquisition

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

2.4 Revenue Recognition

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

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

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

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

All revenues have been recognised at a point in time under IFRS 15 Revenue from Contracts with Customers.

2.5 Segmental Reporting

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

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

The Board of Directors assess the performance of the operating segments (by geographical location, being the UK and US) based on the measures of revenue, gross profit, operating profit and assets employed.

2.6 Foreign Currency Translation

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

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

currencies are retranslated at the rates prevailing on the date when the fair value was determined.

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

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

2.7 Defined Contribution Pension Funds

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

2.8 Investment In Subsidiaries

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

2.9 Property, Plant, and Equipment

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

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

Fixed Assets	Useful lives
Office and field equipment and furniture	3-7 years

Right of Use Lease Assets

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

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

Lease right-of-use assets represent the Group's right to use an underlying asset for the lease term and lease liabilities represent the Group's obligation to make lease payments arising from the lease. Right-of-use assets and liabilities are recognised at the commencement date of a lease based on the present value of lease payments over

the lease term. The Group's lease terms may include options to extend or terminate the lease. The Group includes these extension or termination options in the determination of the lease term when it is reasonably certain that the Group will exercise that option. The Group does not recognise leases having a term of less than one year in our consolidated statement of financial position.

Lease modifications are accounted for as a separate lease if the modification increases the scope of the lease by adding the right to use one or more underlying assets, and the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope. Other modifications are remeasured by adjusting the lease liability and the right-of-use asset using a revised discount rate at the effective date of the modification.

2.10 Intangible Fixed Assets

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

This domain name is stated in the financial statements at its cost of acquisition less accumulated amortisation. The domain name is amortised over 25 years using the straight line method. The amortisation expense is included in administrative expenses in the statement of comprehensive income. The balance as at 31 March 2024 is £1,135,497 (2023: £1,209,424). The amortisation expense for the year ended 31 March 2024 is £51,521 (2023: £50,470). The net impact of translation adjustments on the intangible asset in the year ended 31 March 2024 was £22,406 (2023: £69,669).

In accordance with IAS 36 *Impairment of Assets*, the Group assesses impairment of the intangible asset if internal or external factors or events cause the discounted fair value to be below the carrying value of the intangible asset. Assessment is performed as to whether indicators are met; at which point if they are an impairment assessment is performed whereby the Company assesses the carrying value versus the recoverable amount. Any impairment is recognised within administrative expenses in the statement of comprehensive income. Management has deemed the recoverable amount to be the value in use, which is determined via discounting future cash flows using an appropriate discount rate.

2.11 Impairment Testing of Property, Plant and Equipment

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

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

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

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

2.12 Inventories

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

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

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

2.13 Long-Term Debt

Government Loans

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

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

See Note 24 for additional information regarding these loans.

Convertible Loan Notes

The convertible loan note agreements, entered into by the Company in the prior financial year ended 31 March 2023, have been classified as compound financial instruments under IAS 32 Financial Instruments: Presentation. The fair value of the liability component is valued at the net present value of the contracted future cash flows, discounted at the Group's estimated cost of borrowing and is reported within loans and current maturity of loans. Interest imputed on the liability component is amortised to the statement of comprehensive income on a straight-line basis over the life of the instrument. The equity component represents the residual amount after deducting the amount for the liability from the value of the loan note principal. Further details of the loan note can be found in Note 24.

2.14 Equity

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

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

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

issued.

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

2.15 Share-based Payments

The Group has issued warrants to investors and certain counterparties and advisors as well as share options to its Directors and US based staff.

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

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

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

2.16 Taxation

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally 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 utilized. Such assets and liabilities are not recognised if the temporary difference arises from initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

2.17 Financial Assets and Liabilities Financial Assets

(a) Classification

The Group classifies its financial assets at amortised cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(b) Recognition and measurement

Amortised cost

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

(c) Impairment of Financial Assets

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

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

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

Additionally, the Group will also take into account any circumstances relating to trade debtors when determining whether an asset is in default or not. Where the Group considers there to be a reasonable prospect of recovery, especially where there is an ongoing trading relationship with the debtor, the Group may consider it appropriate not to deem an asset in default.

(d) Derecognition

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities

(a) *Classification*

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

(b) *Subsequent measurement*

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

Financial liabilities at fair value through profit or loss

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

Trade and other payables

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

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

(c) *Derecognition*

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

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

2.18 Significant estimates and judgements

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

- the carrying value and recoverability of investments in, and loan to, subsidiary companies (Note 14)
- Fair value of options and warrants granted (Note 20)
- Useful life, lifespan and carrying value of the domain name Chill.com (Note 13)

- the provisions for inventory assets (Note 15)
- the calculation of the debt and equity component of the convertible loan notes (Note 22)

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

The Company has invested in the subsidiary companies which, whilst generating revenues, are not yet profitable or providing cash flows. The estimates used in forecasting the potential future cash generation by the own-branded product operations focus on business sensitive factors such as distribution agreements, sales volume, pricing and cost of sales. The Directors considered the recoverability of the loans to subsidiaries and do not expect to recover the loans in the near future. Due to this the Group has considered it necessary to impair the entirety of the loans to subsidiary companies.

Fair Value of Options and Warrants Granted

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

Useful life and Recoverability of the Carrying Value of the Domain Name

The domain name is amortised over 25 years using the straight line method, which was determined to be the estimated useful life of the domain name asset by the Group based on industry analysis. The Group analyses impairment of the domain name if internal or external factors or events cause the recoverable amount to be below the carrying value of the intangible asset. An impairment loss is recognised within administrative costs within the statement of comprehensive income for the amount by which the asset's carrying amount exceeds its estimated recoverable amount less costs to sell. The discounted cash flow approach was undertaken in assessing the domain name impairment.

We have prepared a discounted cash flow model projecting cash flows from 2025 to 2045, incorporating annual sales growth, gross margins, a present value discount at the rate of 14.44% based on the Capital Asset Pricing Model (CAPM), and a terminal value as at 2045.

Provisions for Inventory Assets

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

Convertible Loan Note Classification

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

Measurement of expected credit losses

The measurement of both the initial and ongoing ECL allowance for trade receivables measured at amortised cost is an area that requires the use of significant assumptions about credit behaviour such as likelihood of customers defaulting and the resulting losses. In assessing the probability of default, the Board has taken note of the experience and loss history of its customers which may not be indicative of future losses. The default probabilities are based on a number of factors including customer and sectoral trends which the Board believes to be a good predictor of the probability of default. The Group has applied the simplified approach to recognise lifetime expected credit losses for its trade receivables as required or permitted by IFRS 9.

Management has performed a calculation to ascertain the expected credit loss provision, which for the year ended 31 March 2024 amounted to £180,000 (2023: £nil). The movement has been recognised in the statement of comprehensive income.

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

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

No standards or Interpretations that came into effect for the first time for the financial year beginning 1 April 2023 have had an impact on the Group.

(b) New and amended Standards and Interpretations issued but not effective for the financial year beginning 1 April 2024

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

- Amendments to IAS 21: Lack of exchangeability – effective 1 January 2025*
- Amendments to IFRS 18: Presentation and Disclosures in Financial Statements – effective 1 January 2027*
- Amendments to IFRS 19: Subsidiaries without Public Accountability: Disclosures – effective 1 January 2027*

**subject to UK endorsement*

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

3. Revenue

	2024	2023
	£	£
Sales of consumer packaged goods products	1,908,020	82,840

The geographical split of revenues which all related to nicotine-free vapes or sales of third party branded products can be seen in note 4 below.

Approximately 85% of the Company's sales during the year ended 31 March 2024 were derived from one UK customer.

4. Segment Reporting

Under IFRS 8, there is a requirement to show profit or loss for each reportable segment and total assets and total liabilities for each reportable segment if such amounts are regularly provided to the CODM, being the Chief Executive Officer. The Company considers there is only one business segment and the Group has analysed the Group's activity based on geographical location.

Results by geographical location:

	US Operations	UK Operations	Intra-Group Eliminations	Total
Year ended 31 March 2024	£	£	£	£
Revenue	68,719	1,839,301	-	1,908,020
Cost of revenue	(83,541)	(956,512)	-	(1,040,053)
Obsolete inventory expense	(367,507)	(27,650)	-	(395,157)
Gross profit (loss)	(382,329)	855,139	-	472,810
Other operating costs	(1,461,021)	(2,072,934)	10,448	(3,523,507)
Finance costs	(5,149)	(371,933)	-	(377,082)
Finance income	12	87,021	-	87,033
Other income	25	245	-	270
Recovery (impairment) of intercompany loan	1,104,240	(1,093,792)	(10,448)	-
Net loss from continuing activities	(744,222)	(2,596,254)	-	(3,340,476)
Total assets	1,618,577	3,646,648	-	5,265,225
Net assets	1,065,635	1,505,241	-	2,570,876
	US Operations	UK Operations	Intra-Group Eliminations	Total
Year ended 31 March 2023	£	£	£	£
Revenue	64,167	18,673	-	82,840
Cost of revenue	(33,964)	(27,834)	-	(61,798)
Obsolete inventory expense	(139,337)	(88,564)	-	(227,901)
Gross profit (loss)	(109,134)	(97,725)	-	(206,859)
Share-based payments charge	-	(1,126,846)	-	(1,126,846)
Other operating costs	(1,822,625)	(813,490)	-	(2,636,115)
Finance costs		(323,556)	-	(323,556)
Other income	6,053	24,309	-	30,362
Recovery (impairment) of intercompany loan	2,184,257	(2,251,265)	67,008	-
Net income (loss) from continuing activities	258,551	(4,588,573)	67,008	(4,263,014)
Total assets	2,453,101	3,687,972	-	6,141,073
Net assets / (liabilities)	1,839,721	(961,049)	-	878,672

All of the Group's activities related to its business in the United States and UK. Information relating to the CBD activities are shown in the primary statements, therefore all IFRS disclosures are incorporated within other notes to the financial statements.

5. Nature of Expenses

	2024	2023
	£	£
Within administrative expenses and share expenses for options granted, the following non-cash expenses are included:		
Depreciation of property, plant and equipment	13,150	14,405
Depreciation of right of use asset	150,200	67,904
Amortisation of the domain name “Chill.com”	51,521	50,470
Provision for expected credit losses	180,000	-
Finance costs	377,082	323,556
Share-based payments charge	-	1,126,846
Lease operating expenses	-	48,669
Auditor’s remuneration		
- Audit of Group (note 7)	122,000	122,000
- Non-audit services	45,000	-
Director’s remuneration (including share-based payment charge)	427,347	434,277
Staff costs (including Directors)	550,558	609,386

6. Directors and Staff Costs

The average number of staff during the year, including Directors, was 7 (2023: 5). As shown staff costs for the Group, for the year, including Directors, were:

	2024	2023
	£	£
Salaries	469,359	536,049
Pension contributions	2,642	2,311
Healthcare Costs	57,281	46,287
	529,282	584,647
Social Security and other payroll tax costs	21,277	24,739
	550,559	609,386

The Directors have determined that there are no key management personnel other than the Directors during the year. Management remuneration paid and other benefits supplied to the Directors during the period plus the associated social security costs were as follows:

	2024	2023
	£	£
Salaries	348,081	367,247
Pension contributions	2,642	2,311
Healthcare Costs	49,221	46,287
	399,944	415,846
Social Security and other payroll tax costs	27,403	18,431
	427,347	434,277

7. Auditor's Remuneration

	2024	2023
	£	£
Chill Brand Group PLC		
Fees payable to the company's auditor for the audit of the individual and group accounts	67,200	67,200
Non-audit services	45,000	-
Chill Corporation		
Fees payable to the company's auditor for the audit of the individual accounts	54,800	54,800

8. Taxation

	2024	2023
	£	£
Current tax	-	-
Deferred tax	-	-
Total	-	-
The charge/credit for the period is made up as follows:		
Corporate taxation on the results for the period	-	-
UK	-	-
Non-UK	-	-
Taxation charge/credit for the period	-	-
A reconciliation of the tax charge/credit appearing in the income statement to the tax credit that would result from applying the standard rate of tax to the results for the period is:		
Loss per accounts	(3,370,293)	(4,287,891)
Tax credit at the standard rate of corporation tax at a combined rate of 24% (2023:20%)	(808,870)	(857,578)
Impact of unrelieved tax losses carried forward	808,870	(857,578)
Taxation credit for the period	-	-

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

Estimated tax losses of £14.9 million (2023: £11.9 million) may be available for relief against future profits, however, the estimated tax losses are dependent on eradication of losses on the change from a natural resources business to a consumer packaged-goods business. The deferred tax asset not provided for in the accounts based on the estimated tax losses and the treatment of temporary timing differences, is approximately £3.2 million (2023: £2.4 million). Utilisation of these losses in future may or may not be possible depending upon future profitability within the Group and the continued availability of the losses due to the change in the Group's core activities. The losses from the previous oil and gas activities have been excluded from the above due to the uncertainty of the value of the losses due to the change in activities.

No deferred tax asset has been recognised by the Group due to the uncertainty of generating sufficient future profits and tax liability against which to offset the tax losses. Although current tax rates in the U.S. differ to those in the UK, due to the uncertainty of timing of any available relief and the Corporation tax rates that would be applicable at that time in either the UK or the U.S., where the Group's operations principally occur, the Directors have assumed that the applicable tax rate will be 24%, which is a blended rate given that the tax rate in the USA is 21 percent and the main profits rate in the UK is 25 percent.

9. Loss for the Period from Discontinued Activities

During the year ended 31 March 2020, the Board decided that the Group should withdraw from all oil and gas activities due to the continued volatility in the sector and the lack of progress in establishing profitable niche positions for the Group. The Group disposed of its interest in its East Denver producing wells, its Kansas operations and its patent portfolio along with its premises leases during the current year. The Group continues to incur costs on this sector in relation to the growing of the vegetation of the land in order to retrieve the bond deposit with the state.

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

	Year ended 31 March 2024	Year ended 31 March 2023
	£	£
Revenue and other income	-	-
Administrative expenses	(29,817)	(24,877)
Operating loss	(29,817)	(24,877)
Loss on ordinary activities before taxation	(29,817)	(24,877)
Taxation on loss on ordinary activities	-	-
Loss for the period from discontinued activities	(29,817)	(24,877)
Cash flows from discontinued activities		
Operating activities	(29,817)	(24,877)
Investing activities	-	-
Financing activities	-	-
	(29,817)	(24,877)

10. Loss Per Share

	Loss (£)	Weighted average number of shares	Per share amount (£)
For the year ended 31 March 2024			
Basic loss per share:			
Continuing activities	(3,340,476)	345,693,745	(0.96)p
Discontinued activities	(29,817)	345,693,745	(0.01)p
Totals	(3,370,293)	345,693,745	(0.97)p
For the year ended 31 March 2023			
Basic loss per share			
Continuing activities	(4,263,014)	242,977,694	(1.75)p
Discontinued activities	(24,877)	242,977,694	(0.01)p
Totals	(4,287,891)	242,977,694	(1.76)p

The calculation of the loss per share is based on the weighted average of 345,693,745 shares (2023: 242,977,694 shares). The calculation includes ordinary shares in issue during the period and on the loss for the financial period after taxation of £3,370,294 (2023: £4,287,891) split between the loss on continuing activities of £3,340,476 (2023: £4,263,014) and the loss on discontinued activities of £29,817 (2023: £24,877).

Basic earnings per share is based on net income and is calculated based upon the daily weighted-average number

of common shares outstanding during the periods presented, Also, this calculation includes fully vested stock awards that have not been issued as common stock.

Diluted loss per share is calculated by dividing the results after tax attributable to members by the weighted average number of shares in issue, adjusted for potentially dilutive share options. Given that the Group is in a loss position, diluted loss per share has not been presented and the basic measure has been used.

11. Property, Plant and Equipment

Group Cost	Plant and Equipment	Total
	£	£
At 31 March 2022	90,048	90,048
Translation adjustment	5,462	5,462
At 31 March 2023	95,510	95,510
Depreciation		
At 31 March 2022	35,875	35,875
Charge for the year	14,405	14,405
Translation adjustment	2,618	2,618
At March 31 2023	52,898	52,898
Cost		
At 31 March 2023	95,510	95,510
Translation adjustment	(1,808)	(1,808)
At 31 March 2024	93,702	93,702
Depreciation		
At 31 March 2023	52,898	52,898
Charge for the year	13,150	13,150
Translation adjustment	(1,126)	(1,126)
At 31 March 2024	64,922	64,922
Net book Value		
At 31 March 2022	54,173	54,173
At 31 March 2023	42,612	42,612
At 31 March 2024	28,780	28,780

12. Right-of-Use Asset

	Asset	Liability
	£	£
As of 31 March 2023	210,216	(218,141)
Lease additions	94,703	(94,703)
Lease modifications	27,826	(27,826)
Depreciation of right of use assets	(152,089)	-
Lease liability principal repayments	-	151,873
Foreign currency differences	(2,538)	4,161
As of 31 March 2024	178,118	(184,636)

Future minimum lease payments under non-cancellable operating leases		31 March 2024
		£
Within one year		92,393
Within two to five years		92,243
<i>Total</i>		184,636

The Group leases an office and warehouse space under non-cancelable operating leases with remaining lease terms expiring on 30 April 2026 (with an option to extend for another 5 years) and 31 May 2024, respectively. The right of use assets are carried at £178,118 and is reported within non-current assets in the Consolidated Statement of Financial Position. Operating liabilities are reported within the non-current liabilities in the Consolidated Statement of Financial Position. The Group has not entered into any finance leases. Operating lease costs under this lease for the year ended 31 March 2024 totalled £nil (2023: £68,124).

For leases with a term of 12 months or less (short-term leases) with no purchase option, IFRS 16 permits a lessee to make an accounting policy election by class of underlying asset not to recognise lease assets and lease liabilities. If a lessee makes this election, it should recognise the lease expense for such leases generally on a straight line basis over the lease term. In the year ended 31 March 2023, the Group made this accounting policy election related to short-term leases for all classes of underlying assets and therefore the Group did not recognise lease assets and lease liabilities related to the lease with Racquette Hanger, LLC as discussed in note 26. In the year ended 31 March 2024, the Group agreed to lengthen the agreed lease terms with Racquette Hanger, LLC by 12 months. These modifications have resulted in an increase in the total amounts payable under the existing lease and a corresponding recognition to both of the right-of-use asset and lease liabilities with effect from the date of modification (9 June 2023). Accordingly, the Group recognised a right-of-use asset and lease liability of £94,733 based on the modified lease payments using the discount rate on the modification date.

13. Intangible Assets

	Domain Name "Chill.com" £
Cost	
Balance at 31 March 2023	1,300,456
Translation adjustments	(24,616)
Balance at 31 March 2024	1,275,840
Accumulated amortisation	
Balance at 31 March 2023	(91,032)
Charge for the year	(51,521)
Translation adjustments	2,210
Balance at 31 March 2024	(140,343)
Intangible Asset, net at 31 March 2023	1,209,424
Intangible Asset, net at 31 March 2024	1,135,497

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

For the purposes of recognition of the asset's value, the Group has determined that the Chill.com domain has an estimated useful life of 25 years, and its value should therefore be amortised over that same period. As at 31 March 2024, the remaining useful life was approximately 22 years.

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

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

In accordance with IAS 36 *Impairment of Assets*, the Group assesses impairment of the intangible asset if internal or external factors or events cause the recoverable amount to be below the carrying value of the intangible asset. Assessment is performed as to whether indicators are met; at which point if they are an impairment assessment is performed whereby the Company assesses the carrying value versus the recoverable amount. Impairment charges are recognised within administrative expenses in the statement of comprehensive income.

The following potential indicators of impairment were highlighted by this review:

- Sales through the website in the year ended 31 March 2024 were below forecasts produced in the prior year.
- Legislation enacted by the UK government prohibited the sale of disposable vape products from 1 June 2025, impacting on the Company's prior intentions to continue sales of such products.

Whilst sales of third-party brands made through the domain during the financial year were lower than previously forecasted, the bearing of this performance on future growth is, in the opinion of the Company's management, limited. This is because while the domain was acquired with ambitious growth aspirations, little was done in practice to realise these goals or to deliver growth. In particular, the Company did not:

- Consistently execute a search engine optimisation strategy to enhance the organic visibility of the site on search engines;
- Execute any paid advertising program to drive targeted traffic to the site from Google or Meta platforms, including Instagram and Facebook;
- Operate an effective affiliate or influencer marketing campaign;
- Allocate any meaningful budget to attract user traffic to the site or build an extended email marketing list.

Consequently, we do not consider that the past performance of the domain reflects its potential under a properly resourced and executed strategy.

With regard to the recent legislative changes, the Company recognises that previously provided projections were in part predicated on the expectation of continued sales of the Company's first generation of Chill ZERO branded vape products. However, as a result of legislation brought forward by the UK government, disposable vape products became prohibited in the UK from 1 June 2025.

While this means that sales of the existing product will cease, it does not change the Company's mid to long-term view of the vaping industry or the potential of the Company's brand and products within it. The Company has developed and procured its own range of e-liquids for use in refillable vapes and is progressing towards the launch of rechargeable, reusable pod-based vaping products that will be a direct replacement for the company's existing disposable products.

Although this legislative change has introduced short-term turbulence to the market for vape products, the Company actually considers that the prohibition on disposable vapes and the introduction of various regulations concerning vaping products will bring more stability and predictability to the market. This regulatory environment will enable retail buyers to confidently engage with brands, given that the market will be settled and more predictable.

Management have deemed the recoverable amount to be the value in use, which is determined via discounting future cash flows. The discounted cash flow model prepared by the Company has projected cash flows from 2025 to 2045, incorporating annual sales growth, gross margins and a present value discount at the rate of 14.44% based on the Capital Asset Pricing Model (CAPM), and a terminal value as at 2045. On the basis of this assessment, no impairment was deemed necessary.

14. Investment in Subsidiary and Loan to Group Companies

Company	2024	2023
	£	£
Investment in subsidiaries at cost	15,746,468	15,746,468
Less: impairment provision	(15,746,468)	(15,746,468)
Investment in subsidiaries	-	-

The Company has three subsidiaries for the years end 31 March 2024 and 2023.

All subsidiary companies are consolidated in the Group's financial statements.

Name	Place of Incorporation and Operation	Proportion of Ownership Interest	Profit (Loss) for the Year	Aggregate Capital and Reserves at 31 March 2024
Highlands Natural Resources Corporation	USA	100%	(29,817)	(832,214)
Highlands Montana Corporation*	USA	100%	-	(£3,685,668)
Chill Corporation*	USA	100%	(744,272)	(1,358,647)

*Owned by Highlands Natural Resources Corporation

The principal activity of Chill Corporation is as a developer and producer of nicotine-free vape products and other consumer packaged-goods products.

Highlands Natural Resources Corporation and Highlands Montana Corporation were dormant throughout the year ended 31 March 2024. The registered office of the USA based subsidiaries is 1601 Riverfront Drive Suite 201, Grand Junction, Colorado 81501. The ownership in all cases is 100% of the issued ordinary shares of each company and in all cases represents 100% of the voting rights.

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

During the year, the Company made further loans to Chill Corporation and Highlands Natural Resource Corporation to fund the US operations. The Board does not consider that in due course such loans will be recoverable in full. In particular, management has assessed the non-performative elements of the business and the

Company now intends to shutter its US operations while it focuses on developing its core business. Due to this, it was considered reasonable to impair the loans as of 31 March 2024. See Critical accounting judgements and key sources of estimation uncertainty at note 2.18.

Loan to Group Undertaking	Loan at Cost	Impairment Provision	Net Total
	£	£	£
At 31 March 2023	11,580,990	(11,580,990)	-
Additions	1,093,789	-	1,093,789
Impairment	-	(1,093,789)	(1,093,789)
At 31 March 2024			-
	12,674,779	(12,674,779)	

15. Inventories

	Group 2024	Company 2024	Group 2023	Company 2023
	£	£	£	£
Finished goods	667,807	222,949	650,921	109,646
Raw materials	351,129	-	357,903	-
Impairment charges	(879,098)	(116,214)	(544,796)	(88,564)
Totals	139,838	106,735	464,028	21,082

Obsolete inventory expense (Group)	2024	2023
Impairment of hemp inventory	351,129	-
Inventory provisions based on "best by" date	29,835	170,905
Provision of inventory due to slow movement	14,193	56,996
<i>Total charge for the year</i>	395,157	227,901

The Group's inventory of hemp seeds was fully impaired in the year ended 31 March 2024. Despite the seeds' strong genetic profile, proven cultivation viability, and potential for alternative applications, the Company acknowledged the uncertainty surrounding their commercialisation. The failure to meet EU uniformity standards limits their immediate marketability in Europe, while regulatory and market dynamics in other regions, such as the United States, remain subject to external factors. Given the uncertainty introduced by these factors, the Directors have elected to fully impair the value of the feminised hemp seed inventory in the current financial year. This decision does not diminish the seeds' inherent potential but reflects a cautious approach given the challenges associated with their immediate monetisation.

Below is a reconciliation of the movement of the accumulated provision for obsolete inventory for the Group for the year ended 31 March 2024.

Accumulated provision for obsolete inventory at 1 April 2023	(544,796)
Provisions during the period	(395,157)
Inventory allowance released in the year	53,068
Translation adjustment	7,787
<i>Accumulated provision at 31 March 2024</i>	<u>(879,098)</u>

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

16. Trade & Other Receivables

	Group 2024	Company 2024	Group 2023	Company 2023
	£	£	£	£
Trade receivables (gross)	1,546,308	1,501,808	16,331	842
ECL provision	(180,000)	(180,000)	-	-
Trade receivables (net of ECL provision)	1,366,308	1,321,808	16,331	842
Prepayments & other debtors	1,101,396	992,193	431,036	121,805
	2,467,704	2,314,001	447,367	122,647

All amounts in trade receivables are due within 3 months and are stated at amortised cost.

The Group applies the IFRS9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and ageing. The Group's customer base is of a similar bracket and share the same characteristics, as such these have been treated as one population. The expected lifetime losses in respect of trade receivables are considered to be £180,000 (2023: £nil).

The expected credit losses have been based on historical, current and forward-looking information. The Group does not change the classification of a trade receivable if payment is delayed where the value is considered to be recoverable. The Group assesses trade receivables and the associated debtors to determine the appropriateness of this treatment and the likelihood of recovery.

Provision for expected credit losses (Group)	2024	2023
As at 1 January	-	-
Movement in expected credit loss provision	180,000	-
As at 31 December	180,000	-

17. Cash & Cash Equivalents

	Group 2024	Company 2024	Group 2023	Company 2023
	£	£	£	£
Cash at bank	1,315,289	1,225,912	3,767,426	3,544,243

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

The credit ratings for Virgin Money UK Plc were:

Rating Agency	Rating
Fitch	A-
Moody's	Baa2

Credit ratings were not available for Timberline Bank.

18. Trade & Other Payables

	Group 2024	Company 2024	Group 2023	Company 2023
	£	£	£	£
Trade and other payables	658,143	439,131	418,641	97,264
Accruals	228,798	89,272	122,000	67,200
	886,941	528,403	540,641	164,464

Trade payables, accruals and other payables principally comprise amounts outstanding for trade purchases and continuing costs and are stated at amortised cost. The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

19. Share Capital

	2024 £	2023 £
Allotted called up and fully paid:		
506,291,025 ordinary 1p shares (2023: 261,115,305 ordinary 1p shares)	4,953,169	2,611,153

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

	Number	Par Value of Shares Issued £
At 31 March 2023	261,115,305	2,611,153
15 May 2023 issue of shares at 4.0p per share	26,500,000	265,000
5 December 2023 issue of shares at 2.0p per share	154,675,220	1,546,752
Adjustment on convertible loan note conversion	-	(109,741)
26 January 2024 issue of shares at 3.75p per share	64,000,500	640,005
Total number of shares in issue at 31 March 2024	506,291,025	4,953,169

Share Premium Account

	Shares	£
At 31 March 2023	261,115,305	10,923,000
15 May 2023 issue of shares at 4p per share	26,500,000	795,000
5 December 2023 issue of shares at 2.0p per share	154,675,220	1,546,752
Adjustment on convertible loan note conversion	-	(109,741)
26 January 2024 issue of shares at 3.75p per share	64,000,500	1,760,014
Less: costs relating to share issue	-	(159,455)
At 31 March 2024	506,291,025	14,755,570

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

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

On 5 December 2023, the Company issued 154,675,220 ordinary shares of 1 pence each on the conversion of the Company's Convertible Loan Notes at an effective price of 2 pence per share. On the same date, the Company sought admission to trading of up to a further 19,750,574 ordinary shares pursuant to Warrant previously issued, as follows:

Description	Number of warrants	Date of grant	Exercise period	Exercise price per Ordinary Share
Series 1	10,000,000	13 May 2022	13 May 2025	10.0 pence
Series 2	400,000	13 May 2022	13 May 2025	5.0 pence
Series 3	9,350,574	13 May 2022	30 May 2025	2.0 pence
Total	19,750,574			

On 26 January 2024, the Company undertook a conditional placing of 28,533,800 new ordinary shares of 1p each in the Company (the "Placing Shares") at a price of 3.75 pence per share (the "Issue Price") (the "Placing"), and conditional subscription of 3,466,700 new Ordinary Shares (the "Subscription") at the Issue Price, together raising £1,200,019 before expenses for the Company.

The Company also announced the conversion of the coupon amount to be repaid on the convertible loan notes in the sum of £192,000 (together with accrued interest of £8,000) and the capitalisation of £1,000,000 of liabilities predominantly comprised of inventory debt financing by existing significant shareholder, Mr Jonathan Swann for 32,000,000 new Ordinary Shares (the "Capitalisation", together with the Placing and Subscription, the "Fundraise"), in aggregate 64,000,500 new Ordinary Shares (the "Fundraise Shares"), at the Issue Price.

20. Share Options and Warrants

At 31 March 2024 there were options and warrants outstanding over 39,146,205 unissued ordinary shares (2023: 48,496,779). Details of the options and warrants outstanding are as follows:

Issued	Exercisable From	Exercisable Until	Number Outstanding	Exercise Price (p)
12 October 2016	Any time until	11 October 2026	250,000	27.75
8 October 2019	8 October 2021	8 October 2029	5,839,773	10.00
8 October 2019	8 October 2022	8 October 2029	65,000	10.00
8 October 2019	Any time until	8 October 2029	1,000,000	10.00
28 May 2021	Any time until	28 May 2026	10,000,000	60.00
1 June 2021	1 June 2022	1 May 2026	1,200,000	10.00
27 September 2021	23 September 2022	23 September 2026	10,391,432	10.00
26 April 2022	26 April 2022	26 April 2025	400,000	5.00
26 April 2022	26 April 2022	26 April 2025	10,000,000	10.00
<i>Total</i>			39,146,205	

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

Director	At 31 March 2023	Granted in the Period	Exercised in the Period	Lapsed in the Period	At 31 March 2024	Exercise price (p)
T Taylor	2,887,273	-	-	-	2,887,273	4-10p
A Russo	2,887,500	-	-	-	2,887,500	4-10p
C Sommerton	-	-	-	-	-	-
<i>Total</i>	5,774,773	-	-	-	5,774,773	

The options held by T. Taylor and A. Russo issued in October 2019 are exercisable until 8 October 2029. All other options are exercisable between 8 September 2024 and 8 September 2029.

The market price of the shares at the year-end was 2.40 p per share.

21. Equity-settled Share-based Payments Reserve

	2024	2023
	£	£
Brought forward	4,516,608	3,389,762
Share based payment charge on options and warrants in the year	-	1,126,846
Carried forward	4,516,608	4,516,608

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

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

Options and Warrants	2024 Number	2024 Weighted average exercise price – pence	2023 Number	2023 Weighted average exercise price-pence
Outstanding at the beginning of the period	48,496,779	24.23p	28,746,432	36.68p
Granted	-	-	19,750,574	6.11 p
Lapsed during the period	(9,350,574)	2.0p	-	-
Exercised during the period	-	-	(227)	10p
Outstanding at the period end	39,146,205	29.54p	48,496,779	24.23p
Exercised at the period end	250,227	27.75p	250,227	27.75p

The options and warrants outstanding at the period end have a weighted average remaining contractual life of 2.55 years.

Full details of the exercise price and potential exercise dates are given in Note 20 above.

22. Compound Loan Note Equity Component Reserve

The Company issued convertible loan notes in the year ended 31 March 2023 which constituted a compound financial instrument under IAS 32.

A further breakdown of the equity component of the loan notes that have been recorded in the Compound Loan Note Equity Component Reserve is shown in Note 24.

23. Capital Commitments

There were no capital commitments at 31 March 2024 or 31 March 2023.

24. Long Term Debt

	Group 2024	Company 2024	Group 2023	Company 2023
	£	£	£	£
Government loans	22,500	22,500	32,500	32,479
Other	9,771	-	19,040	-
Convertible loan notes	1,590,501	1,590,501	4,452,079	4,452,079
	1,622,772	1,613,001	4,503,619	4,484,558
Current	211,017	202,000	468,893	459,792
Non-current	1,411,755	1,411,001	4,034,726	4,024,766
	1,622,772	1,613,001	4,503,619	4,484,558

Government Loans

Description	Maturity Date	Balance as of March 31, 2024	Balance as of March 31, 2023
		£	£
Bounce Back Loan Scheme (BBLs) managed by the British Business Bank on benefit of and with the financial backing of the Secretary of State for Business, Energy and Industrial Strategy. The BBLs loan of £50,000 carries an interest of 2.50% rate per annum with repayment over 60 months	July 2026	22,500	32,500
Highlands Natural Resources Corporation entered into a Small Business Administration (SBA) loan of £154,078 with an interest of 1.00% rate per annum.	April 2025	9,771	19,040
Maturity Schedule of Government Loans	£		
Current Portion	19,071		
2025	10,000		
2026	3,200		
<i>Total</i>	<i>32,271</i>		

Both of these loans have been repaid subsequent to the year-end.

Convertible Loan Notes

On 13 May 2022, the Company issued convertible loan notes with an aggregate value of £2,916,670 with an interest rate of nil through 31 May 2023 and 10% for the period after 31 May 2023. Conversion of 145,833,495 shares at a conversion price of 2 pence per share was compulsory upon approval of a prospectus or a change in legislation where a prospectus is not needed between the date of issuance and through 31 May 2024. All of these loan notes were converted into ordinary shares as described in Note 19 above, pursuant to a prospectus dated 30 November 2023.

On 21 June 2022, the Company issued convertible loan notes with an aggregate value of £176,835 with an interest rate of nil through 31 May 2023 and 10% for the period after 31 May 2023. Conversion of 8,841,725 shares at a conversion price of 2 pence per share was compulsory upon approval of a prospectus or a change in legislation where a prospectus is not needed between the date of issuance through 31 May 2024. All of these loan notes were converted into ordinary shares as described in Note 19 above, pursuant to a prospectus dated 30 November 2023.

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

As announced on 23 May 2025, the Company has agreed to vary the terms of these convertible loan notes such that their maturity date is extended to 15 May 2028, and their conversion price is amended to 2.15 pence per ordinary share, resulting in a potential issuance of up to 74,418,605 conversion shares.

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

	Equity component £	Current liability component £	Long-term liability component £	Totals £	Notes
13 May 2022 issuance	377,268	243,056	2,464,727	3,085,051	Converted
21 June 2022 issuance	22,849	14,736	148,611	186,196	Converted
31 March 2023 issuance	19,051	192,000	1,388,949	1,600,000	Outstanding
Totals	419,168	449,792	4,002,287	4,871,247	

Reconciliation of movements for the year ended 31 March 2024	Equity component £	Liability component £	Totals £	Notes
Amounts outstanding at 31 March 2023:				
13 May 2022 issuance	377,268	2,707,783	3,085,051	Converted
21 June 2022 issuance	22,849	163,347	186,196	Converted
31 March 2023 issuance	19,051	1,580,949	1,600,000	Outstanding
Totals at 31 March 2023	419,168	4,452,079	4,871,247	
Conversion in the year	(400,116)	(2,885,388)	(3,285,504)	
Interest charged	-	343,300	343,300	
Interest capitalised as share capital		(192,000)	(192,000)	
Interest paid	-	(127,490)	(127,490)	
Amounts outstanding at 31 March 2024	19,052	1,590,501	1,609,553	
Liability due within one year		192,000		
Liability due after more than one year		1,398,501		
Total		1,590,501		

Net Debt

The table below outlines the changes in net debt for the Group during the year end 31 March 2024.

	At 31 March 2023	Cash Flows	Foreign currency adjustments	Other adjustments and reclassifications	At 31 March 2024
Cash and cash equivalents	3,767,426	(2,447,912)	(4,225)	-	1,315,289
Borrowings					
Debt due within one year	468,893	(19,289)	-	(238,587)	211,017
Debt due after one year	4,034,726	-	-	(2,622,971)	1,411,755
	4,503,619	(19,289)	-	(2,861,558)	1,622,772
<i>Total net debt</i>	(736,193)	(2,428,623)	(4,225)	2,861,558	(307,483)

25. Financial Instruments and Risk Management

The Group's financial instruments comprise primarily cash and various items such as trade debtors and trade creditors which arise directly from its operations. The main purpose of these financial instruments is to provide working capital for the Group's operations.

The Group does not utilise complex financial instruments or hedging mechanisms in respect of its non-sterling operations.

Financial Assets by Category

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

	Group 2024	Company 2024	Group 2023	Company 2023
	£	£	£	£
Non-current assets				
Loan to group undertaking	-	-	-	-
Current assets				
Trade receivables	1,366,307	1,321,808	16,331	842
Other receivables	5,742	-	-	-
Cash and cash equivalents	1,315,289	1,225,912	3,767,426	3,544,243
Categorised as financial assets measured at amortised cost	2,687,338	2,547,720	3,783,757	3,545,085

The loan to group undertaking has no fixed repayment date and its future repayment will depend upon the financial performance of subsidiary. All other amounts are short term and none are past due at the reporting date.

Financial Liabilities by Category

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

	Group 2024	Company 2024	Group 2023	Company 2023
	£	£	£	£
Current liabilities				
Trade and other payables	658,142	439,131	418,641	97,263
Loans	1,622,772	1,618,001	4,503,619	4,484,558
Categorised as financial liabilities measured at amortised cost	2,280,864	2,057,132	4,922,260	4,581,821

All amount, excluding loans, are short term payables.

Credit Risk

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

	Group 2024	Company 2024	Group 2023	Company 2023
	£	£	£	£
Trade and other receivables	1,366,307	1,321,808	16,331	842
Related party note receivables	-	-	155,901	-

Credit and Liquidity Risk

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

Capital Management

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

Interest Rate Risk

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

	Group 2024	Company 2024	Group 2023	Company 2023
	£	£	£	£
Bank balances and receivables	1,315,289	1,225,912	3,767,426	3,544,243

The Group uses liquid resources to meet the cost of future development activities. Consequently, it seeks to minimise risk in the holding of its bank deposits. The Group is not financially dependent on the small rate of interest income earned on these resources and therefore the risk of interest rate fluctuations is not significant to the business and the Directors have not performed a detailed sensitivity analysis. Nonetheless, the Directors take

steps when possible and cost effective to secure rates of interest which generate a return for the Group by depositing sums which are not required to meet the immediate needs of the Group in interest-bearing deposits. Other balances are held in interest-bearing, instant access accounts. All deposits are placed with main clearing banks to restrict both credit risk and liquidity risk. The deposits are placed for the short term, between one and three months, to provide flexibility and access to the funds and to avoid locking into potentially unattractive interest rates.

Market Risk

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

Currency Risk

The Group operates in a global market with income possibly arising in a number of different currencies, principally in Sterling or US Dollars. The majority of the operating costs are incurred in Sterling with the rest predominantly in US Dollars. The Group does not hedge potential future income or costs, since the existence, quantum and timing of such transactions cannot be accurately predicted. The exchange rate in US Dollars to Sterling was 1.263 and 1.239 as of 31 March 2024 and 2023, respectively.

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

	Group 2024	Company 2024	Group 2023	Company 2023
	£	£	£	£
Financial assets	50,241	-	758,117	-
Financial liabilities	(228,783)	-	(613,328)	-
Net financial (liabilities)/assets	(178,542)	-	144,789	-

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

	2024 as reported	If Sterling Rose 20%	If Sterling Fell 20%
	£	£	£
Group result for the period	(3,370,293)	(3,285,701)	(3,454,885)
US Dollar denominated net financial liabilities	(178,542)	(161,515)	(195,569)
Total equity at 31 March 2024	2,570,877	2,834,231	2,287,523

26. Related Party Transactions

Eric Schrader, a former director of the Company, owns Racquette Hanger, LLC which let property to the Group during year for the storage and distribution of products. During the year ended 31 March 2024, the Group made rental payments to Racquette Hanger, LLC of £79,202 (2023: £39,163).

Eric Schrader has an interest in Kuma Creative which provided marketing services to the Group. During the year ended 31 March 2024, the Group made payments to Kuma Creative of £47,975 (2023: £36,889).

Scott Thompson, a former director of the Company, is a partner at Lippes Mathias which provided legal advice to the Group. During the year ended 31 March 2024, the Group made payments to Lippes Mathias of £76,983 (2023: £62,534).

In 2021, the Group entered into a distribution agreement with Ox Distributing LLC, a brokerage firm specialising

in ecommerce shipping in convenience stores, grocery stores and other retail chains in the United States. Ox Distributing, LLC is owned by Eric Schrader, a related party to the Group given that he was a director of the Company and had significant influence over the entity. During the year ended 31 March 2024, the Group made sales net of promotional discounts of CBD products to Ox Distributing, LLC, with terms equivalent to those that prevail in an arm's length transaction, of £35,086 (2023: £nil) resulting from the sale of CBD products to the Company. As of 31 March, 2024 the Group has accounts receivable of £nil (2023: £nil) owed by Ox Distributing, LLC. As of 31 March 2024 the Group has a note receivable from Ox Distributing, LLC of £nil (2023: £155,900).

27. Events After the Reporting Period

After the Period, a dispute over the removal of certain Directors by shareholder vote arose from a requisition letter for a General Meeting that occurred on 4 June 2024. Disputes connected to this matter led to almost \$400,000 being withdrawn from the Company's accounts and increased legal costs in the UK and US. The Company also temporarily lost control of its domain asset, Chill.com, from June to December 2024, until an out-of-court settlement was reached. Chill.com is now managed by the Company.

Since then, the UK Government has legislated a ban on disposable vapes effective 1 June 2025. This includes Chill ZERO nicotine-free disposables, requiring the Company to develop compliant devices to sustain its vape product revenue in the UK.

On 24 April 2025, the Company announced that its largest shareholder, Jonathan Swann, had committed to underwrite a convertible loan note facility with a principal value of £1,000,000. Other investors were invited to subscribe for convertible loan notes on identical terms, with those investing up to £50,000 required to remit funds at the point of subscription, and those investing more than £50,000 subject to drawdown mechanics at the discretion of the Company. The Convertible Loan Notes were priced at 1.5 pence per loan note, have a term of three years, and carry interest of 10 per cent per annum. Each entitles the subscriber to a new ordinary share of 1 pence per share. As part of the fundraising, subscribers are also entitled to a 1-1 warrant priced at 125% of the 10-day moving average at the time of funds being drawn. For any funds drawn prior to the Company's shares returning to trading following their suspension commenced on 3 June 2024, the average share price used for calculation of the warrant price shall be 1.5 pence per share. The final terms of the fundraise were announced by the Company on 23 May 2025.

No other matters or events occurring after 31 March 2024 are considered relevant to the Company's financial statements for the Period.

28. Ultimate controlling party

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