

ENGLISH WINES PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

FRIDAY



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28/06/2019
COMPANIES HOUSE

ENGLISH WINES PLC

COMPANY INFORMATION

Directors	F.D. Thompson R.A.B. Woodhouse
Company secretary	R.A.B. Woodhouse
Registered number	03978908
Registered office	Chapel Down Winery Small Hythe Road Tenterden Kent TN30 7NG
Independent auditor	Crowe U.K. LLP Riverside House 40 - 46 High Street Maidstone Kent ME14 - 1JH
Bankers	HSBC Bank Plc West London Corporate Centre 2nd Floor, Space One 1 Beadon Road London W6 0EA
Solicitors	Cripps LLP 22 Mount Ephraim Road Tunbridge Wells Kent TN4 8AS

ENGLISH WINES PLC

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ENGLISH WINES PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Introduction

English Wines Plc is pleased to announce the company's results for the 12 month period ended 31 December 2018.

Key highlights

- Year on year sales up 11% to £8.977m (2017 - 8.119m)
- Gross profit up 12% at £3.626m (2017 - £3.244m)
- Gross margin 40% (2017 - 40%)
- Adjusted EBITDA up 6% to £1,090k (2017 - £1,027k) as we continue to reinvest in our brands, infrastructure and supply
- A Gold Outstanding medal at The International Wine and Spirits Challenge 2018 Awards for our Kit's Coty Coeur de Cuvee 2013 along with a Gold for our Kit's Coty Blanc de Blancs and Gold medals at The Decanter World Wine Awards for our Kit's Coty Blanc de Blancs and Kit's Coty Coeur de Cuvee 2013 and our still Chardonnay 2013
- Additional 102 acres of new vineyards planted on chalk terroir in Kent
- In October we completed on the Lease of a further 388 acres of prime viticultural land adjoining our existing vineyards on the North Downs
- In December we completed on the Lease of a 5,000 sqft site in King's Cross, London by the Regent's Canal where we have opened the "Chapel Down Gin Works" an experiential bar, restaurant and Gin Works
- Extraordinary harvest – over double our highest ever harvest and excellent quality

Your company is focused on building strong differentiated and valuable brands that will deliver a sustainable long term profitable business. Chapel Down operates in attractive growth sectors – English wine, and craft spirits with good growth potential both in the UK and abroad. Chapel Down has created a portfolio of attractive innovative brands with premium positioning supported by well executed marketing, high profile sponsorships, attractive experiential brand homes and an excellent customer base.

2018 has been a busy year preparing the company for further growth. 388 new acres of prime vineyard land will produce up to 1 million extra bottles of wine per annum. Our gin and vodka have had critical acclaim and we have developed a new experiential brand home on the Regents Canal in the developing Kings Cross area of London. Our facilities at Tenterden have been given a facelift that has driven an increase in retail sales of 17%. We have an ambitious and experienced management team focused on our desire to make Chapel Down England's most exciting drinks company. We are on the way, but there is much to be done.

We will continue to make substantial investments over the coming years in planting more vineyards, developing our winery, improving our commercial infrastructure, hiring and training the best talent and creating smart effective marketing to ensure that we build the strongest quality brands and are therefore best placed for future growth and any industry consolidation.

Our assets are supportive of the business: land – and high quality vined land in particular – continues to appreciate, our brand assets are more valuable than ever and our balance sheet is strong. We enjoy the custom and support of our many shareholders who tell the Chapel Down story with energy and enthusiasm. Thank you for your continued faith, excitement, encouragement and support.

ENGLISH WINES PLC

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Business review

Wine and spirits sales grew 11% in the year to £8.977m. We have broad premium distribution in the national retailers including Waitrose, Sainsbury's, M&S and Majestic. We enjoy an enviable presence in premium on trade accounts too, delivered across a number of strong partnerships including Matthew Clark and Bibendum, now revitalised under the ownership of C&C. Beyond the UK, we are developing exciting long term export opportunities, particularly the USA. We are growing too our direct sales through our shop, online sales, events and pop ups where we can bring a Chapel Down experience to consumers via our own team. Sales in the shop were up to £1.72m (+17%).

Our sparkling wines continue to set the standard for the industry, offering outstanding quality and value at every price tier. We will manage the sales of these wines to ensure we can build reserve stock to enable us to manage our customers and our growth. With more international accolades and very strong demand from a consumer seeking something more interesting and distinctive than Champagne, we are confident in our plans to increase the acreage of our vineyards. Our still wines (which are more individual vintage dependent, but much of which can be released in the year following vintage) have also been winning international accolades and wide critical acclaim particularly at the premium end. As a result we continue to see strong demand and excellent sell through.

In the vineyards we continue to improve the quality of the wines we make through the management of our own vineyards and the spread of good practice with our 24 partner vineyards. We apply the most modern viticultural techniques to ensure we get the finest fruit.

In the winery, the fruit is being made into the best possible wine through the expertise of a young winemaking team who use the latest technology and equipment. In a highly competitive market, both vineyard and winery teams are constantly challenged to surprise and delight, and that spirit is reflected in the innovative wines and products that we have created to ensure we remain at the forefront of consumers' minds. And they find us thanks to the wide availability and constant stream of exciting news about the company and its brands.

We will continue to invest in creating further high quality supply from the best sites we can find. We have planted a further 102 acres taking the total planted on long term leased land to 274 acres since 2015. We now have 635 acres of vineyard planted from which to source our fruit. In 2018 we were delighted to secure a further 388 acres of prime viticultural land adjoining our existing vineyards on the North Downs. This will be planted over the next 2 years taking our total acreage under vine to in excess of 950 acres which will be fully productive from 2024/25. In an average year it should be producing some 2.4m bottles of wine. We will continue to invest in further capacity and equipment to enhance efficiency and quality in the winery over the coming years, improving our systems and processes as well as building a world class brand and team.

Principal risks and uncertainties

Brexit has had no significant impact on our business to date. In an area of full employment, we may be affected if we were not able to continue to access EU or other foreign workers for our viticulture and to mitigate that risk we will be looking at trialling the latest mechanical picking technology in 2019. However, we believe that maintaining and developing a strong brand and building a team of very high quality people are our best defence and we will continue to invest wisely to ensure we are best placed and risk is minimised.

There is a risk of a poor grape harvest through extreme weather events which we mitigate through maintaining the highest standards of viticulture, choosing the very best sites and utilising the latest proven advances in technology and agriculture. We source from a wide geographic area to minimise micro-climatic variations that can blight individual sites. The diversification into spirits also further protects our ability to continue to grow.

Competition continues to grow but we continue to invest in our people, brands and distribution to ensure that the business can continue to thrive.

ENGLISH WINES PLC

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Outlook for the future

We know we are lucky to work in a great British industry and an exciting business. Our drinks tell a story. They are delicious. They are a reason to get together.

We are passionate about growing that congregation – introducing uniquely delicious products to enlightened consumers everywhere.

We are on a pilgrimage to get drinkers to fall in love with our brands so we can share their most special moments with them.

We think there is little point in just simply trying to be the best. That's simply not good enough any more. We have to be the only people who can do what we do. That excites us and that's what makes our brands stronger.

We think we have something special. Brands that are more interesting. Brands that have a relevant and engaging story to tell. Brands that have a real point of difference. Brands that try harder.

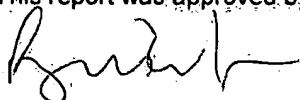
The launch of Kits Coty premium wines and the consumer and trade interest in Chapel Down will continue to fuel the English wine market, interest in which shows no signs of abating and we are planting for the future. We remain appropriately optimistic about continuing growth in sales in 2019.

Our Chapel Down gins and vodka, which uses the skins of our grapes, are performing well in a growing gin and vodka market that shows no sign of slowing. Already listed nationally in all Majestic stores and now also available in leading accounts such as Le Gavroche, Roux, Le Manoir aux Quat'Saisons, Paris House, The Ned, Hospital Club, Hix, Selfridges and Harvey Nichols. The products have received wide critical acclaim and give us an even more powerful portfolio and a further growth opportunity which we will develop this year.

Finally – to all our shareholders, thank-you. Its great to see so many of you using your shareholder benefits to get great discounts on our wines and spirits. The energy, support and excitement that you create is something the whole team appreciate.

So let's raise a glass. To you. To us. The curious optimists. The believers.

This report was approved by the board on *29th May 2019* and signed on its behalf.



F.D. Thompson
Director

ENGLISH WINES PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 to enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Results and dividends

The profit for the year, after taxation, amounted to £408,478 (2017 - £290,944).

Directors

The directors who served during the year were:

P. Brett (resigned 23 July 2018)
F.D. Thompson
R.A.B. Woodhouse

ENGLISH WINES PLC

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Financial instruments

The company has various financial instruments such as trade debtors which arise directly from operations. The company does not enter into derivative transactions.

The main financial risks arising from the company's activities are credit risk, and liquidity risk.

These are monitored by the board of directors and were not considered to be significant at the balance sheet date.

Liquidity risk

The company actively manages its financial risk in order to meet its foreseeable needs in the short and medium term. In December 2017 the parent company, Chapel Down Group Plc, completed a fundraising of £18.53m through the issue of new shares and launched an open offer to existing shareholders raising a further £1.47m. These funds will be used to invest in the growth of the business.

Credit risk

The company's principal financial assets are cash and trade debtors. The directors consider there to be minimal credit risk in respect of the company's cash balances as they are all held in reputable financial institutions. The directors manage credit risk in respect of trade debtors by reviewing outstanding balances and performing credit checks on new customers.

Going concern

Accounting standards require the directors to consider the appropriateness of the going concern basis when preparing the financial statements. The directors confirm that they consider that the going concern basis remains appropriate. The directors believe that the company has sufficient resources to continue in operational existence for the foreseeable future. The directors believe this to be the case as the company has positive reserves and cash balances. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Post balance sheet events

There have been no significant events affecting the company since the year end.

Auditor

The auditor, Crowe U.K. LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

ENGLISH WINES PLC

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

This report was approved by the board on *29th May 2019* and signed on its behalf.



R.A.B. Woodhouse
Director

ENGLISH WINES PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ENGLISH WINES PLC

Opinion

We have audited the financial statements of English Wines Plc (the 'company') for the year ended 31 December 2018, which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of cash flows, the statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

ENGLISH WINES PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ENGLISH WINES PLC (CONTINUED)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

ENGLISH WINES PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ENGLISH WINES PLC (CONTINUED)

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 company or to cease operations, or have no realistic alternative but to do so.

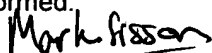
Auditor's responsibilities for the audit of the financial statements

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.

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

Use of our report

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders, as a body, for our audit work, for this report, or for the opinions we have formed.



Mark Sisson (Senior statutory auditor)

for and on behalf of

Crowe U.K. LLP

Statutory Auditor

Riverside House
40 - 46 High Street
Maidstone
Kent
ME14 - 1JH
Date:

ENGLISH WINES PLC

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £	2017 £
Turnover	4	8,976,833	8,119,453
Cost of sales		(5,350,717)	(4,875,034)
Gross profit		3,626,116	3,244,419
Administrative expenses		(2,746,704)	(2,397,401)
Share based payment		(57,161)	(75,416)
Operating profit	5	822,251	771,602
Interest receivable and similar income		32	-
Interest payable and similar expenses	10	(433,280)	(412,413)
Profit before tax		389,003	359,189
Tax on profit	11	19,475	(68,245)
Profit for the financial year		408,478	290,944
Adjusted performance measures:			
Adjusted EBITDA			
Operating profit		822,251	771,602
Share based payment		57,161	75,416
Depreciation		211,023	179,722
EBITDA excluding share based payments		1,090,435	1,026,740

There were no other comprehensive income for 2018 (2017 - £Nil).

The notes on pages 14 to 30 form part of these financial statements.

ENGLISH WINES PLC
REGISTERED NUMBER: 03978908

BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	12	2,206,807	1,729,355
		<u>2,206,807</u>	<u>1,729,355</u>
Current assets			
Stocks	13	7,019,320	4,561,202
Debtors: amounts falling due after more than one year	14	241,080	342,344
Debtors: amounts falling due within one year	14	2,530,963	2,396,924
Cash at bank and in hand	15	412,430	740,002
		<u>10,203,793</u>	<u>8,040,472</u>
Creditors: amounts falling due within one year	16	(3,537,870)	(2,665,984)
Net current assets		<u>6,665,923</u>	<u>5,374,488</u>
Total assets less current liabilities		<u>8,872,730</u>	<u>7,103,843</u>
Creditors: amounts falling due after more than one year	17	(6,850,406)	(5,511,796)
Provisions for liabilities			
Deferred tax	18	(45,699)	(81,061)
		<u>(45,699)</u>	<u>(81,061)</u>
Net assets		<u><u>1,976,625</u></u>	<u><u>1,510,986</u></u>
Capital and reserves			
Called up share capital	19	50,000	50,000
Profit and loss account	20	1,926,625	1,460,986
		<u><u>1,976,625</u></u>	<u><u>1,510,986</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29th May 2019.



R.A.B. Woodhouse
Director

The notes on pages 14 to 30 form part of these financial statements.

ENGLISH WINES PLC

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2018	50,000	1,460,986	1,510,986
Comprehensive income for the year			
Profit for the year	-	408,478	408,478
Total comprehensive income for the year	-	408,478	408,478
Share based payment	-	57,161	57,161
At 31 December 2018	50,000	1,926,625	1,976,625

The notes on pages 14 to 30 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2017	50,000	1,094,626	1,144,626
Comprehensive income for the year			
Profit for the year	-	290,944	290,944
Total comprehensive income for the year	-	290,944	290,944
Share based payment	-	75,416	75,416
At 31 December 2017	50,000	1,460,986	1,510,986

The notes on pages 14 to 30 form part of these financial statements.

ENGLISH WINES PLC

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 £	2017 £
Cash flows from operating activities		
Profit for the financial year	408,478	290,944
Adjustments for:		
Depreciation of tangible assets	211,023	179,722
Interest payable	433,280	412,413
Interest receivable	(32)	-
Share based payment	57,161	75,416
Taxation charge	(19,475)	68,245
(Increase) in stocks	(2,458,118)	(100,394)
(Increase) in debtors	(134,038)	(71,384)
Increase in creditors	872,862	260,623
Corporation tax (paid)/received	(13,929)	-
Net cash generated from operating activities	(642,788)	1,115,585
Cash flows from investing activities		
Purchase of tangible fixed assets	(688,475)	(283,432)
Interest received	32	-
Net cash from investing activities	(688,443)	(283,432)
Cash flows from financing activities		
Increase/(decrease) in long term loans	1,436,939	(275,874)
Interest paid	(433,280)	(412,413)
Net cash used in financing activities	1,003,659	(688,287)
Net (decrease)/increase in cash and cash equivalents	(327,572)	143,866
Cash and cash equivalents at beginning of year	740,002	596,136
Cash and cash equivalents at the end of year	412,430	740,002
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	412,430	740,002
	412,430	740,002

The notes on pages 14 to 30 form part of these financial statements.

ENGLISH WINES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. General information

The principal activity of the company is the production and sale of alcoholic beverages.

The company is a public limited company, which is incorporated and registered in England and Wales (registered number: 03978908).

The address of the registered office is Chapel Down Winery, Small Hythe Road, Tenterden, Kent, TN30 7NG.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Chapel Down Group Plc as at 31 December 2018 and these financial statements may be obtained from Companies House.

2.3 Going concern

Accounting standards require the directors to consider the appropriateness of the going concern basis when preparing the financial statements. The directors confirm that they consider that the going concern basis remains appropriate. The directors believe that the company has sufficient resources to continue in operational existence for the foreseeable future. The directors believe this to be the case as the company has positive reserves and cash balances. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.4 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

Revenue for trade sales is recognised at the point of despatch and retail sales at the point of customer purchase.

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the methods below:

Depreciation is provided on the following basis:

Freehold property	- 10 years straight line
Plant & machinery	- 20 years straight line
Motor vehicles	- 25% reducing balance
Fixtures & fittings	- 15% reducing balance
Computer equipment	- 3 years straight line

2.6 Stocks

Stock and work in progress are valued at the lower of cost and net realisable value.

Direct costs of the winery plus attributable overheads are used to value stock. The directors consider that this method is most appropriate for the nature of the company's activities.

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the company's cash management.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.9 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the profit and loss account.

2.10 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.11 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

2.12 Finance costs

Finance costs are charged to the profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.13 Share based payments

The company's parent company issues equity-settled share-based payments to certain employees of the company. 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 determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the company's estimate of shares that will eventually vest and adjusted for the effects of non market based vesting conditions.

Fair value is measured by use of a Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.14 Operating leases

Rents payable under operating leases are charged to the profit and loss on a straight line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the group recognises annual rent expense equal to amounts owed to the lessor. The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

2.15 Interest income

Interest income is recognised in the Profit and loss account using the effective interest method.

2.16 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

2.17 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Profit and loss account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

ENGLISH WINES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The company makes judgements, estimates and assumptions that affect the application of policies and the carrying values of assets and liabilities, income and expenses. The resulting accounting estimates calculated using these judgements will, by definition, seldom equal the related actual results but are based on the experience of the directors and the expectation of future events. The estimates are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

The principal areas where judgement is exercised are as follows:

Stock - the directors regularly assess the quality and age of stock and will make necessary provisions against amounts which may not be recoverable.

Tangible fixed assets - the directors annually assess both the carrying value and the expected useful life of these assets which is judged to be up to 20 years, based on their experience.

4. Turnover

The total turnover for the company for the year has been derived from its principal activity, the production and sale of alcoholic beverages.

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	8,878,372	8,054,324
Rest of Europe	12,773	9,227
Rest of the world	85,688	55,902
	<u>8,976,833</u>	<u>8,119,453</u>

5. Operating profit

The operating profit is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets	211,023	179,722
Exchange differences	3,926	1,113
Land and buildings operating lease rentals	85,617	39,500
Other operating lease rentals	<u>48,297</u>	<u>46,517</u>

ENGLISH WINES PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

6. Auditor's remuneration

	2018	2017
	£	£
Fees payable to the company's auditor in respect of:		
Audit of the financial statements	16,500	16,000
Taxation compliance services	3,650	3,500
Preparation of the financial statements	1,350	1,250
All other services	250	1,600
	21,750	22,350

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2018	2017
	£	£
Wages and salaries	1,900,085	1,911,958
Social security costs	196,940	181,239
Cost of defined contribution scheme	30,267	16,438
	2,127,292	2,109,635

The average monthly number of employees, including the directors, during the year was as follows:

	2018	2017
	No.	No.
Administration	24	18
Production	25	19
Directors	4	3
Retail	24	20
	77	60

Employment costs include share based payments of £57,161 (2017 - £75,416) relating to the effect of section 26 of FRS 102 accounting standard. This standard requires the directors to attribute a notional costs of non-cash share option agreements to the business over the vesting period of the shares.

ENGLISH WINES PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

8. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	318,999	284,479
Company contributions to defined contribution pension schemes	5,072	2,500
	<u>324,071</u>	<u>286,979</u>

During the year retirement benefits were accruing to 2 directors (2017 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £193,229 (2017 - £222,778).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £3,060 (2017 - £1,500).

9. Interest receivable

	2018 £	2017 £
Other interest receivable	<u>32</u>	<u>-</u>

10. Interest payable and similar expenses

	2018 £	2017 £
Interest payable on loans due to group undertakings	<u>433,280</u>	<u>412,413</u>

ENGLISH WINES PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

11. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	44,606	40,164
Adjustments in respect of previous periods	(28,719)	-
Total current tax	15,887	40,164
Deferred tax		
Origination and reversal of timing differences	(16,359)	44,283
Adjustments in respect of prior periods	93	(16,202)
Effect of change of tax rate on opening balance	(19,096)	-
Total deferred tax	(35,362)	28,081
Taxation on (loss)/profit on ordinary activities	(19,475)	68,245

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2017 - *higher than*) the standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	389,003	359,189
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%)	73,911	69,132
Effects of:		
Ineligible depreciation and amortisation	1,135	1,797
Expenses not deductible for tax purposes	4,251	5,683
Adjustments to tax charge in respect of prior years	(28,626)	(16,202)
Adjust closing deferred tax to average corporation tax rate	(17,173)	11,406
Tax relief on exercise of share options	(38,647)	(3,571)
Deferred tax on share options previously not recognised	(14,326)	-
Total tax charge for the year	(19,475)	68,245

ENGLISH WINES PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

12. Tangible fixed assets

	Freehold property £	Plant & machinery £	Motor vehicles £	Fixtures and fittings £	Total £
Cost or valuation					
At 1 January 2018	247,197	1,870,302	13,781	628,234	2,759,514
Additions	5,290	617,784	21,597	43,804	688,475
At 31 December 2018	<u>252,487</u>	<u>2,488,086</u>	<u>35,378</u>	<u>672,038</u>	<u>3,447,989</u>
Depreciation					
At 1 January 2018	138,026	507,587	13,618	370,928	1,030,159
Charge for the year on owned assets	21,347	106,188	3,640	79,848	211,023
At 31 December 2018	<u>159,373</u>	<u>613,775</u>	<u>17,258</u>	<u>450,776</u>	<u>1,241,182</u>
Net book value					
At 31 December 2018	<u>93,114</u>	<u>1,874,311</u>	<u>18,120</u>	<u>221,262</u>	<u>2,206,807</u>
At 31 December 2017	<u>109,171</u>	<u>1,362,715</u>	<u>163</u>	<u>257,306</u>	<u>1,729,355</u>

ENGLISH WINES PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

13. Stocks

	2018 £	2017 £
Raw materials and consumables	290,051	-
Work in progress	6,130,324	3,805,411
Finished goods and goods for resale	598,945	755,791
	<u>7,019,320</u>	<u>4,561,202</u>

Stock recognised in cost of sales during the year as an expense was £4,644,717 (2017 - £4,875,034).

ENGLISH WINES PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

14. Debtors

	2018 £	2017 £
Due after more than one year		
Amounts owed from Curious Drinks Limited	<u>241,080</u>	<u>342,344</u>
	2018 £	2017 £
Due within one year		
Trade debtors	2,077,098	2,122,509
Other debtors	121,586	168,922
Prepayments and accrued income	332,279	105,493
	<u>2,530,963</u>	<u>2,396,924</u>

15. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	<u>412,430</u>	<u>740,002</u>

16. Creditors: Amounts falling due within one year

	2018 £	2017 £
Trade creditors	2,437,445	1,611,379
Corporation tax	44,605	42,647
Other taxation and social security	188,728	209,023
Other creditors	763,697	688,201
Accruals and deferred income	103,395	114,734
	<u>3,537,870</u>	<u>2,665,984</u>

ENGLISH WINES PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

17. Creditors: Amounts falling due after more than one year

	2018 £	2017 £
Amounts owed to group undertakings	6,826,592	5,490,917
Accruals and deferred income	23,814	20,879
	<u>6,850,406</u>	<u>5,511,796</u>

The interest rate charged on the intercompany loan with Chapel Down Group Plc is 7%. There is no fixed repayment term.

18. Deferred taxation

	2018 £	2017 £
At beginning of year	(81,061)	(55,463)
Charged to profit or loss	35,362	(25,598)
At end of year	<u>(45,699)</u>	<u>(81,061)</u>

The provision for deferred taxation is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	(179,808)	(193,843)
Share options	122,799	100,263
Short term timing differences	11,310	12,519
	<u>(45,699)</u>	<u>(81,061)</u>

ENGLISH WINES PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

19. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
50,000 (2017 - 50,000) ORDINARY shares of £1.00 each	<u>50,000</u>	<u>50,000</u>

20. Reserves

Profit & loss account

This reserve is the accumulation of the profits and losses since incorporation net of any dividends paid to shareholders.

ENGLISH WINES PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

21. Share Options

	2003 Fixed Price	2006 Variable Price	2006 Fixed Price	2009 Fixed Price
Number of share options	1,968,450	3,000,000	3,239,997	3,000,000
Vesting period (years)	3.7	4.4	4.4	3.6
Outstanding at start of year	788,124	2,600,000	468,526	1,491,800
Weighted average price at start of year	12.5p	9p	15p	10p
Exercised	-	-	(144,263)	(150,000)
Granted	-	-	-	-
Forfeited	-	-	-	-
Outstanding at end of year	788,124	2,600,000	324,263	1,341,800
Weighted average price at end of year	12.5p	9p	15p	10p

	2013 Fixed Price	2016 Fixed Price	2017 Fixed Price	2018 Fixed Price
Number of share options	4,688,888	430,000	200,000	840,000
Vesting period (years)	4.6	4.0	3.0	3.0
Outstanding at start of year	4,661,888	430,000	200,000	-
Weighted average price at start of year	17p	33p	81p	-
Exercised	(110,000)	-	-	-
Granted	-	-	-	840,000
Forfeited	-	-	-	-
Outstanding at end of year	4,551,888	430,000	200,000	840,000
Weighted average price at end of year	17p	33p	81p	84p

ENGLISH WINES PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 £	2018 Fixed Price £
Number of share options	-	536,000
Vesting period (years)	-	4
	-	-
Outstanding at start of year	-	-
Weighted average price at start of year	-	-
Exercised	-	-
Granted	-	536,000
Forfeited	-	-
Outstanding at end of year	-	536,000
Weighted average price at end of year	-	88

The vesting conditions of all of the schemes require service of the same length as the vesting period.

Between 2003 and 2016 16,327,335 share options were granted. The fair was calculated by applying the Black Scholes option pricing model. The range of model inputs were the share price at grant date (9p to 33.75p), exercise price (9p to 33p), expected volatility (2% to 35%), vesting period (3.6 to 4.6 years) and a risk free rate (0.5% to 5.5%). No dividends were expected.

The estimated fair value of the 200,000 share options granted in 2017 is 6.2p. This was calculated by applying the Black Scholes option pricing model. The model inputs were the share price at grant date of 80.4p, exercise price of 81p, expected volatility of 11%, no expected dividends, vesting period of 3 years and a risk free rate 0.5%.

The estimated fair value of the 840,000 share options granted in 2018 is 10.7p. This was calculated by applying the Black Scholes option pricing model. The model inputs were the share price at grant date of 84p, exercise price of 84p, expected volatility of 17.73%, no expected dividends, vesting period of 3 years and a risk free rate 0.75%.

The estimated fair value of the 536,000 share options granted in 2018 is 3.3p. This was calculated by applying the Black Scholes option pricing model. The model inputs were the share price at grant date of 75p, exercise price of 88.5p, expected volatility of 17.73%, no expected dividends, vesting period of up to 3.6 years and a risk free rate 0.75%.

The current year expense resulting from the share options is £57,161 (2017 - £75,416).

The directors believe that the Black Scholes option pricing model is the most appropriate method for calculating the share option charges under Section 26 of FRS 102.

22. Capital commitments

At 31 December 2018 the company had capital commitments as follows:

	2018 £	2017 £
Contracted for but not provided in these financial statements	905,306	-

ENGLISH WINES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

23. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £30,267 (2017 - £16,442). Contributions totaling £526 (2017 - £98) were payable to the fund at the balance sheet date and are included in creditors.

24. Commitments under operating leases

At 31 December 2018 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Land and buildings		
Not later than 1 year	59,500	39,500
Later than 1 year and not later than 5 years	114,250	55,542
	<u>173,750</u>	<u>95,042</u>
	2018 £	2017 £
Other		
Not later than 1 year	106,036	85,503
Later than 1 year and not later than 5 years	83,669	85,506
	<u>189,705</u>	<u>171,009</u>

25. Related party transactions

The company has taken advantage of the exemption in section 33 of FRS 102 from the requirement to disclose transactions with Chapel Down Group Plc on the grounds that 100% of the voting rights in the company are controlled within the group and consolidated financial statements are prepared by the parent company.

During the year, Curious Drinks Limited, a subsidiary of Chapel Down Group PLC, was transferred income of £4,038,753 (2017 - £3,679,233) and recharged costs, including a management charge, of £6,972,957 (2017 - £4,057,878). Costs paid by Curious Drinks Limited on behalf of English Wines were £Nil (2017 - £214,274). At 31 December 2018, £241,080 (2017 - £342,344) was owed to the company by Curious Drinks Limited.

ENGLISH WINES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

26. Financial Commitment

The company has provided an unlimited guarantee for the borrowings of Chapel Down Group Plc and Curious Drinks Limited. This guarantee is supported by a fixed and floating charge over the assets of the company. At 31 December 2018 Chapel Down Group Plc owed HSBC Bank Plc £Nil (2017 - £1,986,611). At 31 December 2018 Curious Drinks Limited owed HSBC Bank Plc £3,570,000 (2017 - £Nil).

27. Controlling party

The parent company, Chapel Down Group Plc holds 100% of the share capital of the company and is incorporated in England and Wales. The accounts of Chapel Down Group Plc can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

There is no ultimate controlling party.