

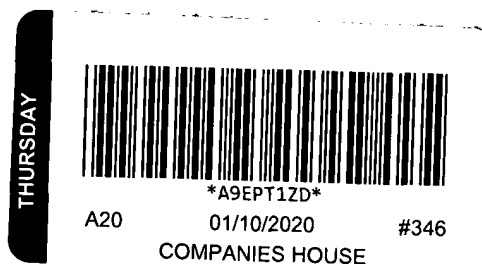


Registered number: 04362181

CHAPEL DOWN GROUP PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019



CHAPEL DOWN GROUP PLC

COMPANY INFORMATION

Directors

J.D. Brooke
J.M. Dunsmore
M.S. Harvey
F.D. Thompson
R.A.B. Woodhouse
N.W. Wray
S. H. Emeny
S A Wren

Company secretary

R.A.B. Woodhouse

Registered number

04362181

Registered office

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Independent auditor

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Kent
ME14 1JH

Bankers

HSBC PLC
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1 Beadon Road
London
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CHAPEL DOWN GROUP PLC

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CHAPEL DOWN GROUP PLC

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The chairman presents his statement for the period.

I am delighted to announce another period of progress in the results for the year ended 31 December 2019.

Key highlights:

- Year on year sales on a continuing basis up 14% to £14.801m (2018: £13.016m)*/**
- Chapel Down Wine and Spirits sales on a continuing basis up 13% to £10.102m (2018: £8.977m)
- Beer and Cider sales, in Curious Drinks Limited, up 16% to £4.699m (2018: £4.039m)***
- Wines and Spirits gross profit on a continuing basis up 8% at £3.920m (2018: £3.626m)
- Beer and Cider gross profit (in Curious Drinks Limited) up 16% at £1.431m (2018: £1.229m)
- EBITDA on a continuing basis was a loss of (£0.862m) (2018: loss of (£0.155m))*/**** as we continue to reinvest in our brands, infrastructure and supply
- The loss before tax on continuing operations was a loss of (£2.094m) (2018: loss of (£0.850m))***** and the loss before tax including discontinued operations was (£4.285m) (2018: loss of (£0.850m)).
- The extraordinary harvest in 2018 has enabled us to increase stocks by 40% to £10.719m (2018: £7.679m) reflecting the substantially higher levels of sparkling stock
- A Platinum medal and "Best in Show" at The Decanter World Wine 2019 Awards for our Kit's Coty Coeur de Cuvée 2014 and our Kit's Coty Chardonnay 2016 along with Golds for both wines at The International Wine Challenge 2019 Awards. Our Kit's Coty Bacchus 2017 also won a Platinum medal at The Decanter World Wine 2019 Awards
- Additional 154 acres of new vineyards planted on outstanding chalk terroir on the North Downs in Kent close to our Kit's Coty vineyard
- Our Bacchus Gin won Gold at The Gin Masters 2019 and our Chardonnay Vodka a Gold in The Vodka Masters 2019 in addition to the D&AD packaging award.
- Brewery build completed and opened to the public from 10 May 2019 with first commercial brews on 24 June 2019 and full brewing capacity available from Q4
- Stop Press - Curious Brewery won UK Brewer of the Year 2019

Chapel Down has always been singularly focused on building strong differentiated and valuable brands. We believe that they will deliver a more sustainable long term profitable business. Chapel Down operates in attractive growth sectors – English wine, craft spirits and contemporary beers and cider with good growth potential both in the UK and abroad. We have built a portfolio of attractive innovative brands with premium positioning supported by well executed marketing, strong distribution and visibility, high profile sponsorships, attractive experiential brand homes and serving a loyal and growing customer base of shareholders, brand advocates and fans. In a challenging environment, we believe those assets are vital to our long term success. Whilst we all wish for a speedy return to normality, and in particular a healthy pub, bar and restaurant trade, there is still much uncertainty.

Now, more than ever we should support British brands and companies that can help re-build our economy and grow employment. Those that succeed will not compromise on quality and value. That is why I believe that despite the current crisis, Chapel Down is in an exciting position to thrive. We are a young British company with a rapidly growing customer-centric business. We make and sell market-leading brands increasingly on-line but also to retailers who want truly World class products, great service and great value.

2019 was another busy year. We took in another substantial harvest of good quality fruit which will make high quality premium wines. We planted a further 154 acres of perfect chalk down land in Kent with vines which will yield around 250,000 bottles of world class sparkling wine a year. We continued to grow the sales of our wines, spirits and beers and won yet further critical acclaim for our wines, spirits and beer with some remarkable awards. However, the development of our Chapel Down Gin Works in Kings Cross was not the commercial success we had anticipated and so, despite giving consumers a great experience, we decided to close the operation at the end of December. Our brewery in Ashford, became finally operational in June and fully productive in Q4. It has attracted great reviews and the beer is excellent. Indeed, so good that it won "Brewer of the Year" in 2019. Sadly, the current crisis has forced us to mothball the operation as we are heavily skewed to supplying the on-trade. It's heart-breaking to stop after just a few months of operation. Nevertheless, we are

CHAPEL DOWN GROUP PLC

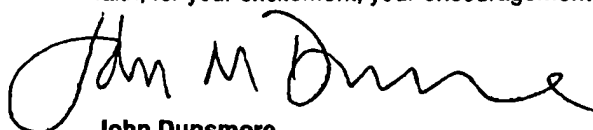
CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

currently in good shape to weather the storms of change with strong brands and a more sizeable wine business in the off-trade and in e-commerce. The future looks exciting, albeit with the prospect of high short term volatility, as we see the rise in importance of the membership economy, online sales, British products and sourcing, trusted premium brands along with a solid asset base.

We will continue to make substantial investments over the coming years in planting more vineyards, developing our winery, improving our commercial and online infrastructure, hiring and training the best talent and creating smarter and more 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.

It has been my privilege to Chair the Board for the last six years. We enjoy the custom and support of our many shareholders who tell the Chapel Down story with energy and enthusiasm. On a personal note, I am delighted that Chapel Down has attracted a new Chairman of the calibre of Martin Glenn who will make a great contribution in supporting our inspirational management team to further success. Thank you for your continued faith, for your excitement, your encouragement and your support.



John Dunsmore

Chairman

Date 19 June 2020

- * For the years ended 31 December 2016 and 2017 Curious Drinks Limited was accounted for as an associate company in the consolidated financial statements. Following changes during 2018 in the composition of the board of Curious Drinks Limited and a significant increase in funding from Chapel Down Group Plc, Financial Reporting Standard 102 requires us to report Curious Drinks Limited as a subsidiary in the consolidated accounts of Chapel Down Group Plc from 30 January 2018. In the comparative period Curious Drinks Limited was an associate for January 2018 and a subsidiary for 1 February 2018 to 31 December 2018. To enable a like for like comparison table 1 in the performance review section of the Chief Executive's commentary shows the turnover and gross profit as if Curious Drinks Limited had been a subsidiary for the entirety of 2018.
- ** Includes 12 months of Beer and Cider sales for Curious Drinks Limited for both periods.
- *** In April 2016 Curious Drinks Ltd raised £1.736m for a 9.79% economic share and a 50.21% share of the voting rights in the business. The sale resulted in Chapel Down Group PLC retaining a 49.79% voting share and a 90.21% economic share of Curious Drinks Ltd.
- **** Excludes the effect of the FRS 102 Section 26 share option accounting adjustment of £42k (2018: £57k) which is a non-cash item.
- ***** The statutory loss before tax after discontinued operations was £4.285m (2018: loss of (£0.850m)).

CHAPEL DOWN GROUP PLC

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Introduction

Chapel Down Group Plc is pleased to announce the company's results for the 12 month period ended 31 December 2019.

The principal activity of the group continues to be the production and sale of alcoholic beverages. A review of the business, which includes a review of key performance indicators appears on page 5. The primary measure of operating performance is Adjusted EBITDA.

Chief Executive's commentary

The past few months have been extremely challenging for everyone, but Chapel Down is in much better shape to weather these extraordinary times, with strong brands, broad distribution, experienced and nimble management and a rapidly growing online business. So despite our on-trade business disappearing in March, the strength of our brands has allowed us to accelerate our online sales and our off-trade sales rapidly. Indeed the success of our online business since the lockdown has seen order volumes grow a staggering 16-fold and we see this element of our business as a major growth area and will invest accordingly.

That we have been able to do so, is because your Company has continued to invest in its brands, its assets and its people to build a healthier, more sustainable and innovative drinks company with a really exciting future both at home and abroad in 2019. Despite the challenges of the current pandemic, we are in a very positive place and ready to continue growing our business and brands in the months and years ahead. The market for English wine is continuing to grow fuelled by rising quality, growing awareness, growing support for local and British products and broader accessibility.

Turning to 2019, we achieved sales growth on a continuing basis of 14% in the group (up 13% on wine and spirits and up 16% on beer and cider), despite the challenges of supply problems with beer and a late opening of the brewery, and limits on the volume of sparkling wine available for sale. Chapel Down is proud of its nine years of 21% strong compound revenue growth and we are continuing to develop - even in these challenging times. We have aspirations to be a serious player in growth markets. In the UK we are the leading brand of English wine. We also continue to see growing demand for English sparkling wines in sophisticated international markets. We enjoyed our third full year in the USA, and growth is limited only by our production. Nevertheless, our key market remains the UK and our challenge remains to service and engage with all our customers so well that we turn growing awareness and desire for Chapel Down and Curious into profitable sales through a broad church of distribution channels.

We were blessed with another excellent harvest in 2019 following the bumper 2018 vintage. Average yields were 70% higher than our 5 year average. This will enable us to drive our sparkling wine growth with more confidence knowing that our growing reserve stocks will see us through tougher harvests. We launched our innovative new Sparkling Bacchus in 2019 which has enabled us to reach new consumers at an attractive price point and premiumise our Bacchus fruit. It has been a rapid commercial success. Whilst focussed on gaining new consumers, we never lose sight of the importance of ensuring Josh Donaghy-Spire and his team create wines of improving quality. With an extraordinary haul of International Platinum Gold Medals and Trophies in 2019, we are surprising and delighting more wine lovers than ever. Our brand home at Tenterden combined with our Bluewater pop-up saw sales increase by 11% as visitor numbers improved thanks to improved awareness and range.

CHAPEL DOWN GROUP PLC

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

We enjoyed another successful year for our gin and vodka which use the skins of our grapes to create a real point of difference in a crowded market. The proposition has received widespread critical acclaim with the liquid picking up Double Gold in the Spirits Masters and the bottle design receiving a prestigious D&AD award. Like most new product launches in the premium category it has been aimed at the premium on-trade market. We created a new brand experience home at Kings Cross, but sadly that did not prove to be commercially sustainable for us and – despite giving consumers a great experience - we took the difficult decision to close it at the end of 2019. The lease on the site at Kings Cross has been surrendered and the full investment written down in the year resulting in an exceptional charge of £1.247m in 2019. The Gin Works loss of (£2.192m) including the exceptional charge is reflected in the discontinued operations in the 2019 results.

Our beer and cider performance has been steady as we finished the construction of our own brewery in Ashford. This award winning facility opened to the public in May 2019 and was an immediate hit with consumers as a much needed venue in Kent. The first completely Ashford brewed beers became available in September 2019. We continued to manage our growth through a focus on premium accounts - top end restaurants, bars, hotels and premium on-trade such as Mitchells & Butlers. Indeed, we were surprised and delighted to win "Brewer of the Year 2019" after such a short time. Sadly, the impact of the current pandemic on the on-trade has meant that we had to take the difficult decision to "mothball" the brewery whilst we sell through existing stocks.

CHAPEL DOWN GROUP PLC

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Performance review

The combined business on a continuing basis continued to grow in sales and gross profit of both Wine and Spirits and Beer and Cider in 2019:

	Wines and Spirits – Continued Operations			Beer and Cider			Combined Businesses		
	FY 2019	FY 2018	%age Variance	FY 2019	FY 2018	%age Variance	FY 2019	FY 2018	%age Variance
	£'000	£'000		£'000	£'000		£'000	£'000	
Turnover	10,102	8,977	13%	4,699	4,039	16%	14,801	13,016	14%
Gross profit	3,920	3,626	8%	1,431	1,229	16%	5,351	4,855	10%
Gross profit %age	39%	40%		30%	30%		36%	37%	

We continue to reinvest in our people, our systems and our brands. The total business reported an EBITDA loss on a continuing basis of (£0.862m) compared with (£0.155m)**** in the year to December 2018. The loss before tax on continuing operations was a loss of (£2.094m) (2018: loss of (£0.850m)) and the loss before tax including discontinued operations was (£4.285m) (2018: loss of (£0.850m)).

Wines and Spirits

Wines and Spirits sales on a continuing basis grew 13% to £10.102m (2018: £8.977m). The spirits grew by 37% to £1,065k (2018: £777k). Wine volumes were 16% ahead reflecting the higher volumes of still wine available from the 2018 harvest, although revenues were only 8% above prior year, reflecting a lower sparkling wine stock availability in 2019. 2020 will see more substantial growth in sparkling volumes when the sparkling wines from the 2018 harvest come on stream.

The genesis of a new wine region does not happen often. Being at the forefront of that is very exciting. Our sparkling wines continue to set the standard for the industry, offering outstanding quality and value at every price tier. The addition of our new Sparkling Bacchus has bridged an important gap in pricing. 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, whatever the weather brings us. 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. With higher brand awareness than other English wines, we continue to see strong demand and excellent sell through.

We can only make great wine if the quality of the fruit is excellent. We are improving the quality of the wines we make through the management of our own vineyards and the spread of good practice with our partner vineyards.

In the winery, better fruit is made into the best possible wine through the expertise of a young winemaking team using the latest technology and equipment. Ensuring we remain at the forefront of consumers' minds requires the team to innovate and challenge. That feeds a constant stream of exciting news about the Company and its brands and engages consumers.

We will continue to invest in creating further high quality supply from the best sites we can find. We planted a further 154 acres in 2019 taking the total acreage planted on long term leased land to 428 acres since 2015. We now have 789 acres of vineyard planted from which to source our fruit. This acreage will be fully productive from 2024 and in an average year it should be producing some 2.0m bottles of wine. In addition, we expect that there will be more opportunities to acquire fruit from the growing number of vineyards attracted to this growing market. We will continue to invest in further capacity and equipment to enhance efficiency and quality in the winery over

CHAPEL DOWN GROUP PLC

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

the coming years, improving our systems and processes as well as building a world class brand and team.

Chapel Down will continue to fuel the growth in the English wine market, interest in which shows no signs of abating and we are preparing for the future. We remain appropriately optimistic about continuing growth in sales in 2020.

Beer and Cider

Beer and cider sales in Curious Drinks Ltd rose 16% to £4.699m.

Our strategy in 2019 was to grow by focussing on top end restaurants, bars, hotels and premium off-trade - while we completed the construction of our new brewery. We have national distribution through Majestic and Waitrose in the off-trade and a network of wholesalers including Matthew Clark that enable us to supply Curious beers to the on-trade. We supplied Mitchells & Butlers, Greene King, Ei Group and Fullers as well as several exciting up and coming premium UK on-trade groups. Sadly, that market has disappeared since Covid. The on-trade will be very different when it re-opens and we believe that the need for premium brands will be even greater.

We have a unique and distinctive consumer proposition – a winemaker's beer – which is rare in a highly competitive beer market. The brand was enhanced by the opening of the new brewery and visitor facility in Ashford just 38 minutes from St Pancras International.

The custom-built brewhouse enables us to produce more fresher beer. We have developed unique experiential and product partnerships, launching our Curiouser & Curiouser small batch series in collaboration with Wild Beer Co, Fourpure Brewing Co and Beavertown. We were delighted to win "UK Brewer of the Year 2019".

Business risk and uncertainties

Covid-19 continues to pose significant challenges to all businesses associated with hospitality and leisure, although it has kick-started e-commerce rapidly. We have mitigated our risk through taking advantage of the Government backed furlough scheme, mothballing our brewery until there is more certainty about the future of the UK on trade, developing our e-commerce business to scale at pace to compensate for on-trade revenue losses and building our off-trade business. Covid-19 also poses some risk to the availability of labour for the harvest. We are preparing alternative harvest labour plans and also extended machine harvesting trials on still wine varieties.

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 2020. 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. We also mitigate the risk to future growth by building our wine stock. The diversification into beer and spirits also further protects our ability to continue to grow. The risk of a poor hop harvest also exists and the group mitigates this risk by buying forward contracts on its key hops.

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

CHAPEL DOWN GROUP PLC

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Outlook for the future

Today's environment is tough. We know we need to be fit to survive and thrive.

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 our 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 will be doing that increasingly online and more visibly with our retail partners. We want them to feel part of our journey too.

We think there is little point in just simply trying to be the best. That's simply not good enough anymore. We try to be the only people who can do what we do.

And finally – to all our stakeholders - thank-you!

Thanks for coming on this journey with us. Thanks for using your shareholder benefits to get great discounts on our wines, beers and spirits and for wholeheartedly supporting our online sales in which we will continue to invest to improve and build the experience. Thanks for your energy and your support. Thanks for your faith and belief.

CHAPEL DOWN GROUP PLC

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Section 172 statement

The Directors are fully aware of their responsibilities to promote the success of the Company in accordance with section 172 of the Companies Act 2006 and have acted in accordance with these responsibilities during the year.

Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders in their decision making. The Directors continue to have regard to the interests of the Company's employees and other stakeholders, including the impact of its activities on the community, the environment and the Company's reputation, when making decisions. Acting in good faith and fairly between members, the Directors consider what is most likely to promote the success of the Company for its members in the long term.

The Board has identified that its key stakeholders are:

- Employees
- Shareholders
- Customers
- Suppliers
- Community and Environment

Chapel Down's core values are Curiosity, Relentlessness, Fearlessness, Humility and Team Spirit. These values are embedded in our continuous personal development program and ensure that we act consistently in the interests of our stakeholders.

Throughout the year the Board considered the wider impact of strategic and operational decisions on the Company's stakeholders.

Employees

Our employees are key to the long-term success of the Company. All employees receive a thorough induction. We have various engagement mechanisms in place and we use the values above as the glue that binds the team. The senior management team generally meet every Monday to provide a status update and plan the week ahead. Annual employee reviews are conducted in addition to the regular communication between management and employees to ensure that any concerns or issues are identified and resolved. The Company provides training to employees as well as social events to promote the well-being and integrity of the team.

Shareholders

The support and engagement of our shareholders is imperative to the future success of our business. In addition to being shareholders they are invariably customers too. Their engagement is therefore all the more vital. In all of its decision making, the Board ensured that it acted fairly with regard to members of the Company. We have productive ongoing dialogue with a number of our investors. We are in touch with all of our shareholders on a regular basis with information about shareholder meetings and the Company's financial performance. We have regular meetings with institutional investors to understand their views and address any concerns.

Customers

Chapel Down's commercial team is in regular contact with our customer's key people to try to ensure that Chapel Down's products are meeting or exceeding our customer's expectations. With our larger customers we agree on a joint business plan on an annual basis with regular reviews throughout the year.

Suppliers

We adopt an ethical and equitable approach with all our business partners and suppliers. We strive to have an open, constructive and effective relationship through regular meetings and dialogue which is beneficial for the whole supply chain.

CHAPEL DOWN GROUP PLC

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Community and Environment

We are a small business committed to making a positive contribution to the communities in which we operate. Where possible we try to source locally whether that is for our shop, winery, brewery or restaurants. We also support the Arts through our sponsorship activities Nationally (eg Donmar, LSO, Curious Arts Festival) and also support local charities (Revelation Ashford) and events. We have a published sustainability position and we ensure we operate as environmentally soundly as we can. We review this position quarterly.

This report was approved by the board on 19 June 2020 and signed on its behalf.



F.D. Thompson
Director

CHAPEL DOWN GROUP PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Directors' responsibilities statement

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated 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 the Group and of the profit or loss of the Group for that period.

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

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards 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 Group 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The loss for the year, after taxation, amounted to £4,127,185 (2018 - £913,578).

The loss for the year, after taxation and minority interests, amounted to £2,650,132 (2018 - loss £166,512).

The directors do not recommend the payment of a dividend.

Directors

The directors who served during the year were:

J.D. Brooke
J.M. Dunsmore
M.S. Harvey
F.D. Thompson
R.A.B. Woodhouse
N.W. Wray
G. Bath (resigned 20 December 2019)
S. H. Emeny
S A Wren (appointed 17 July 2019)

CHAPEL DOWN GROUP PLC

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Future developments

The future developments of the group are discussed in the 'outlook for the future' section of the Strategic Report.

Financial instruments

The group's principal financial instrument relates to bank loans. The purpose of this financial instrument is to raise finance for the group's operations. The group has various other financial instruments such as trade debtors which arise directly from operations. The group does not enter into derivative transactions.

The main financial risks arising from the group'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 group actively manages its financial risk in order to meet its foreseeable needs in the short and medium term. In December 2017 the group 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 group'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 required the directors to consider the appropriateness of the going concern basis when preparing the financial statements. Having considered the period to December 2022, the directors confirm that they consider that the going concern basis remains appropriate. Covid-19 has impacted the business, however we have been able to maintain a healthy cash position through the support of the Government furlough scheme, the increase in off-trade, rapid growth in online sales and the support of our bank HSBC.

As detailed in note 23 to the financial statements, after the year end, £2.8m of the loan balance was converted into a 15 year mortgage, £3.9m was converted into a 7 year asset finance loan and £700,000 was converted into an interest only loan. The remaining amount was repaid.

The directors believe that, despite the impact of Covid-19 on our on-trade business and our own hospitality venues, the group has sufficient resources to continue in operational existence for the foreseeable future.

The directors believe this to be the case as the group has positive reserves and cash balances. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

CHAPEL DOWN GROUP PLC

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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 and the Group'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 and the Group's auditor is aware of that information.

Post balance sheet events

Covid-19 has brought significant change and there are significant uncertainties as to the severity and duration of the pandemic and the measures required to fight it. In March 2020, following the Governments advice all pubs, theatres and hospitality venues were closed to contain the spread of the virus. Sadly, we needed to close our tours, shop, restaurant and bar at the state of the art Curious Brewery in Ashford and our hospitality, shop and tours at our beautiful winery in Tenterden. Given that our beer and cider sales are largely focussed on the on trade, in order to conserve our cash, we have taken the decision to stop brewing and close the brewery until the on-trade returns to normality. We have sufficient beer and cider stocks / work in progress to trade through with bottled product to take home and online customers until October.

Following the closure of the hospitality sector we have seen our sales in supermarkets and off licenses grow substantially and our online sales multiply dramatically as customers seek to continue to enjoy our brands at home

We are grateful for the support shown by the Government in enabling us to furlough the staff directly affected by the change to the business. It will enable us to get back up to speed quickly when the all clear is given. The company has ensured that all furloughed staff are on 80% of their salaries/wages. With strong assets, leading brands, good management and a healthy cash position, we believe we are very well placed to weather the crisis and thrive in the aftermath.

Auditor

The auditor, Crowe U.K. LLP, will be proposed for reappointment in accordance with section 489 of the Companies Act 2006.

This report was approved by the board on 19 June 2020 and signed on its behalf.



F.D. Thompson
Director

CHAPEL DOWN GROUP PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHAPEL DOWN GROUP PLC

Opinion

We have audited the financial statements of Chapel Down Group Plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2019, which comprise the Group Statement of comprehensive income, the Group and company balance sheets, the Group statement of cash flows, the Group and company 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 Group's and of the parent company's affairs as at 31 December 2019 and of the Group's loss 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 Group 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 Group's or the parent 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.

CHAPEL DOWN GROUP PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHAPEL DOWN GROUP PLC (CONTINUED)

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the group financial statements as a whole to be £250,000 based on 0.8% of net assets and 0.6% of gross assets. The materiality of the parent company has been set at £100,000 which represents 0.2% of net assets and 0.3% of net assets. In setting materiality we considered the group's business model. The group is building for the future and those who have invested in the business have not done so based on historic trading performance, but on the potential growth of the brand and the value of assets in the group.

We used a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for the audit of related party transactions and directors' remuneration.

We agreed with the board to report to it all identified errors in excess of £10,000. Errors below that threshold would also be reported to the board if, in our opinion as auditor, reporting was required on qualitative grounds.

Overview of the scope of our audit

The audit scope was established during the planning stage and was based around the key matters set out below. The scope included tests of control to establish the clients systems in use are working effectively and tests of detail selecting transactions via sampling techniques.

The audit field work was completed at the head office and onsite visits to the winery were made to audit the year-end stock counts. The parent company, subsidiary company and associate company were all audited by Crowe U.K. LLP and no component auditors were used.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included 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.

CHAPEL DOWN GROUP PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHAPEL DOWN GROUP PLC (CONTINUED)

Key audit matter	How the scope of our audit addressed the key audit matter
<u>Stock and Work in Progress</u> The valuation of stock was considered to be a significant risk because it involves detailed calculations and the application of judgement by the directors.	Detailed transactional testing was performed to ensure that stock was valued at the lower of cost and net realisable value. Year end stock counts were attended to verify the existence of stock. Overhead absorption calculations were reviewed in detail to confirm that they were accurately calculated and in line with the requirements of Financial Reporting Standard 102. We also reviewed the consistency of the calculations with the prior year.
<u>Recoverability of Intercompany Debt</u> Included within the company Balance Sheet of Chapel Down Group Plc are significant debtor balances owed by Curious Drinks Limited and English Wines Plc.	The recoverability of the balances was considered by reviewing the detailed profit forecasts and challenging management on the assumptions used in the forecasts.
<u>Control of Curious Drinks Limited</u> This is considered to be a key judgement by the directors and it has a significant impact on the consolidated financial statements.	The situations of control, as prescribed by Financial Reporting Standard 102, were reviewed to assess whether Curious Drinks Limited should be treated as a subsidiary, associate or joint venture. As part of this review we considered the voting rights of the group, the composition of the Curious Drinks Limited board, the power to appoint the majority of board members, and the influence over the operational activities of Curious Drinks Limited. Further details are included in note 3.

CHAPEL DOWN GROUP PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHAPEL DOWN GROUP PLC (CONTINUED)

Key audit matter	How the scope of our audit addressed the key audit matter
<u>Going concern</u> The group has made a significant loss which considered a period of at least 12 months from the in the year due to the lower than date of approval of the financial statements. Our work on expected performance of Curious going concern included the following: Drinks and the Gin Works. There has also been a significant challenge key assumptions (such as revenue streams, amount of capital expenditure in the assumption of costs, and the forecasted period etc.). year which has impacted the cash position of the group.	We obtained the Directors going concern assessment - Review the Director's assessment of going concern and Examined detailed budgets and forecasts prepared by management covering the period of the going concern assessment to ensure these were appropriate, comparing historical forecasts to actuals achieved to assess the reliability of the FY2020 forecast used in the Directors assessment. Reviewed any other documentation which the Directors used in assessing the going concern status and made any necessary enquiries of management. Reviewed cash flow requirements
<u>Carrying value of Gin Works assets</u> The Gin Works made a significant forecasts of the Gin Works to assess whether the assets loss in the current period and the were impaired. directors considered the viability of the operation in the long term. There is a risk that the assets in relation to the Gin Works are impaired.	We reviewed the plans of the directors and the profit The Gin Works made a significant forecasts of the Gin Works to assess whether the assets loss in the current period and the were impaired.

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.

CHAPEL DOWN GROUP PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHAPEL DOWN GROUP PLC (CONTINUED)

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 Group 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 Group 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 its environment obtained in the course of the audit, we have not identified material misstatements in the Group strategic report or the Directors' report.

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

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

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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.

CHAPEL DOWN GROUP PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHAPEL DOWN GROUP PLC (CONTINUED)

Use of our report

This report is made solely to the company's members 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 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

19 June 2020

CHAPEL DOWN GROUP PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Continuing operations 2019 £	Discontin'd operations 2019 £	Total 2019 £	Continuing operations 2018 £	Total 2018 £
Turnover	4	14,800,569	1,311,368	16,111,937	12,863,428	12,863,428
Cost of sales		(9,449,449)	(303,288)	(9,752,737)	(8,065,725)	(8,065,725)
Gross profit		5,351,120	1,008,080	6,359,200	4,797,703	4,797,703
Administrative expenses		(7,205,832)	(1,952,361)	(9,158,193)	(5,574,326)	(5,574,326)
Share based payment charge		(42,532)	-	(42,532)	(57,161)	(57,161)
Exceptional costs		-	(1,247,237)	(1,247,237)	-	-
Operating loss	5	(1,897,244)	(2,191,518)	(4,088,762)	(833,784)	(833,784)
Income from participating interests		-	-	-	(47,873)	(47,873)
Interest receivable and similar income	9	22,581	-	22,581	63,183	63,183
Interest payable and expenses	10	(218,910)	-	(218,910)	(31,854)	(31,854)
Loss before taxation		(2,093,573)	(2,191,518)	(4,285,091)	(850,328)	(850,328)
Tax on loss	11	157,906	-	157,906	(63,250)	(63,250)
Loss for the financial year		(1,935,667)	(2,191,518)	(4,127,185)	(913,578)	(913,578)
Loss for the year attributable to:						
Non-controlling interests		(1,477,053)	-	(1,477,053)	(747,066)	(747,066)
Owners of the parent company		(458,614)	(2,191,518)	(2,650,132)	(166,512)	(166,512)
		(1,935,667)	(2,191,518)	(4,127,185)	(913,578)	(913,578)

There was no discontinued operations in 2018.

CHAPEL DOWN GROUP PLC

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Adjusted performance measures

Adjusted EBITDA	Continuing operations 2019 £	Discontinued operations 2019 £	Total 2019 £	2018
Operating loss	(1,897,244)	(2,191,518)	(4,088,762)	(833,784)
Share based payment	42,532	-	42,532	57,161
Depreciation and amortisation	993,138	569,808	1,562,946	621,227
Exceptional costs	-	1,247,237	1,247,237	
EBITDA excluding share based payment	(861,574)	(374,473)	(1,236,047)	(155,396)

Earnings per share (pence)

Basic	(1.850)	(0.118)
Diluted	(1.850)	(0.118)
Basic adjusted performance measure	(1.820)	(0.078)
Diluted adjusted performance measure	(1.820)	(0.078)

All earnings attributable to Non-controlling interests relate to continuing operations.

CHAPEL DOWN GROUP PLC
REGISTERED NUMBER: 04362181

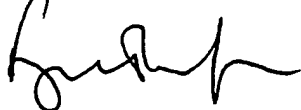
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	15	108,712	126,380
Tangible assets	16	27,578,539	18,515,540
		<u>27,687,251</u>	<u>18,641,920</u>
Current assets			
Stocks	18	10,719,361	7,679,702
Debtors: amounts falling due within one year	19	3,368,387	3,610,758
Cash at bank and in hand	20	2,473,457	12,829,910
		<u>16,561,205</u>	<u>24,120,370</u>
Creditors: amounts falling due within one year	21	(12,755,963)	(7,496,467)
Net current assets		<u>3,805,242</u>	<u>16,623,903</u>
Total assets less current liabilities		<u>31,492,493</u>	<u>35,265,823</u>
Creditors: amounts falling due after more than one year	22	(17,934)	(23,815)
Provisions for liabilities			
Deferred taxation	25	(111,527)	(224,778)
		<u>(111,527)</u>	<u>(224,778)</u>
Net assets excluding pension asset		<u>31,363,032</u>	<u>35,017,230</u>
Net assets		<u>31,363,032</u>	<u>35,017,230</u>
Capital and reserves			
Called up share capital	26	7,211,129	7,073,473
Share premium account	27	26,105,728	25,812,929
Revaluation reserve	27	1,067,390	1,106,021
Capital redemption reserve	27	400	-
Profit and loss account	27	(1,289,638)	1,279,731
Equity attributable to owners of the parent company		<u>33,095,009</u>	<u>35,272,154</u>
Non-controlling interests		(1,731,977)	(254,924)
		<u>31,363,032</u>	<u>35,017,230</u>

CHAPEL DOWN GROUP PLC
REGISTERED NUMBER: 04362181

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2019

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 19 June 2020.



F.D. Thompson
Director



R.A.B. Woodhouse
Director

The notes on pages 30 to 57 form part of these financial statements.

CHAPEL DOWN GROUP PLC
REGISTERED NUMBER: 04362181

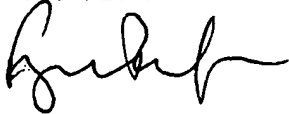
COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	16	12,001,129	11,286,937
Investments	17	2,259,165	1,780,839
		<u>14,260,294</u>	<u>13,067,776</u>
Current assets			
Debtors due after more than 1 year		18,362,280	11,254,150
Debtors within one year	19	346,007	94,023
Cash at bank and in hand	20	824,186	10,019,294
		<u>19,532,473</u>	<u>21,367,467</u>
Creditors: amounts falling due within one year	21	(13,564)	(86,915)
Net current assets		<u>19,518,909</u>	<u>21,280,552</u>
Total assets less current liabilities		<u>33,779,203</u>	<u>34,348,328</u>
Provisions for liabilities			
Deferred taxation	25	(329,577)	(185,692)
		<u>(329,577)</u>	<u>(185,692)</u>
Net assets		<u><u>33,449,626</u></u>	<u><u>34,162,636</u></u>
Capital and reserves			
Called up share capital	26	7,211,129	7,073,473
Share premium account	27	26,105,728	25,812,929
Revaluation reserve	27	962,149	992,453
Capital redemption reserve	27	400	-
Profit and loss account brought forward		283,781	(63,451)
(Loss)/profit for the year		(1,143,465)	316,928
Other changes in the profit and loss account		29,904	30,304
		<u>(829,780)</u>	<u>283,781</u>
Profit and loss account carried forward		<u><u>33,449,626</u></u>	<u><u>34,162,636</u></u>

CHAPEL DOWN GROUP PLC
REGISTERED NUMBER: 04362181

COMPANY BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2019

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 19 June 2020.



F.D. Thompson
Director



R.A.B. Woodhouse
Director

CHAPEL DOWN GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital	Share premium account	Capital redemption reserve	Revaluation reserve	Profit and loss account	Non- controlling interests	Total equity
	£	£	£	£	£	£	£
At 1 January 2019	7,073,473	25,812,929	-	1,106,021	1,279,731	(254,924)	35,017,230
Comprehensive income for the year							
Loss for the year	-	-	-	-	(2,650,132)	(1,477,053)	(4,127,185)
Total comprehensive income for the year	-	-	-	-	(2,650,132)	(1,477,053)	(4,127,185)
Shares issued during the year	138,056	292,799	-	-	-	-	430,855
Transfer of excess depreciation charge relating to revaluation of tangible assets	-	-	-	(38,631)	38,631	-	-
Share based payment expense	-	-	-	-	42,532	-	42,532
Cancellation of shares	(400)	-	400	-	(400)	-	(400)
At 31 December 2019	7,211,129	26,105,728	400	1,067,390	(1,289,638)	(1,731,977)	31,363,032

The notes on pages 30 to 57 form part of these financial statements.

CHAPEL DOWN GROUP PLC

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

	Called up share capital	Share premium account	Revaluation reserve	Profit and loss account	Non- controlling interests	Total equity
	£	£	£	£	£	£
At 1 January 2018	6,905,860	24,513,930	1,144,652	1,350,451	-	33,914,893
Comprehensive income for the year						
Loss for the year	-	-	-	(166,512)	(747,066)	(913,578)
Total comprehensive income for the year	-	-	-	(166,512)	(747,066)	(913,578)
Shares issued during the year	167,613	1,298,999	-	-	-	1,466,612
Transfer of excess depreciation charge relating to revaluation of tangible assets	-	-	(38,631)	38,631	-	-
Share based payment expense	-	-	-	57,161	-	57,161
Acquired on acquisition of Curious Drinks Limited	-	-	-	-	492,142	492,142
At 31 December 2018	7,073,473	25,812,929	1,106,021	1,279,731	(254,924)	35,017,230

CHAPEL DOWN GROUP PLC

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital £	Share premium account £	Capital redemption reserve £	Revaluatio n reserve £	Profit and loss account £	Total equity £
At 1 January 2019	7,073,473	25,812,929	-	992,453	283,781	34,162,636
Comprehensive income for the year						
Loss for the year	-	-	-	-	(1,143,465)	(1,143,465)
Total comprehensive income for the year	-	-	-	-	(1,143,465)	(1,143,465)
Shares issued during the year	138,056	292,799	-	-	-	430,855
Transfer of excess depreciation charge relating to revaluation of tangible assets	-	-	-	(30,304)	30,304	-
Cancellation of shares	(400)	-	400	-	(400)	(400)
At 31 December 2019	7,211,129	26,105,728	400	962,149	(829,780)	33,449,626

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

	Called up share capital £	Share premium account £	Revaluatio n reserve £	Profit and loss account £	Total equity £
At 1 January 2018	6,905,860	24,513,930	1,022,757	(63,451)	32,379,096
Comprehensive income for the year					
Profit for the year	-	-	-	316,928	316,928
Total comprehensive income for the year	-	-	-	316,928	316,928
Shares issued during the year	167,613	1,298,999	-	-	1,466,612
Transfer of excess depreciation charge relating to revaluation of tangible assets	-	-	(30,304)	30,304	-
At 31 December 2018	7,073,473	25,812,929	992,453	283,781	34,162,636

The notes on pages 30 to 57 form part of these financial statements.

CHAPEL DOWN GROUP PLC

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019 £	2018 £
Cash flows from operating activities		
Loss for the financial year	(4,127,185)	(913,578)
Adjustments for:		
Amortisation of intangible assets	17,668	16,948
Depreciation of tangible assets	1,545,278	604,279
Impairments of fixed assets	1,347,564	-
Loss on disposal of tangible assets	2,011	-
Share based payment	42,532	57,161
Interest paid	218,910	31,854
Interest received	(22,581)	(63,183)
Taxation charge	(157,906)	63,250
(Increase) in stocks	(3,039,659)	(2,502,658)
Decrease/(increase) in debtors	242,371	(934,529)
Increase in creditors	1,153,084	483,044
Share of operating loss of associate	-	47,873
Corporation tax (paid)	(85,214)	(26,014)
Net cash generated from operating activities	(2,863,127)	(3,135,553)
Cash flows from investing activities		
Purchase of intangible fixed assets	-	(37,200)
Purchase of tangible fixed assets	(11,981,602)	(8,366,485)
Sale of tangible fixed assets	23,750	-
Interest received	22,581	60,072
Interest received from associate undertaking	-	3,111
Cash acquired on consolidation of Curious Drinks	-	1,554,559
Net cash from investing activities	(11,935,271)	(6,785,943)
Cash flows from financing activities		
Issue of ordinary shares	430,855	1,466,612
New secured loans	4,230,000	3,570,000
Repayment of loans	-	(1,969,937)
Interest paid	(218,910)	(31,854)
Net cash used in financing activities	4,441,945	3,034,821
Net (decrease) in cash and cash equivalents	(10,356,453)	(6,886,675)
Cash and cash equivalents at beginning of year	12,829,910	19,716,585

CHAPEL DOWN GROUP PLC

**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019 £	2018 £
Cash and cash equivalents at the end of year	2,473,457	12,829,910
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	2,473,457	12,829,910
	2,473,457	12,829,910

**CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2019**

	At 1 January 2019 £	Cash flows £	At 31 December 2019 £
Cash at bank and in hand	12,829,910	(10,356,453)	2,473,457
Debt due within 1 year	(3,570,000)	(4,230,000)	(7,800,000)
	9,259,910	(14,586,453)	(5,326,543)

The notes on pages 30 to 57 form part of these financial statements.

CHAPEL DOWN GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. General information

The principal activity of the company is that of a holding company. The principal activities of the group are 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: 04362181).

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 company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements.

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

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the company and its subsidiaries ("the group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated profit and loss account from the date on which control is obtained. They are deconsolidated from the date control ceases.

Control is deemed to exist over Curious Drinks Limited so this has been treated as a subsidiary in the consolidated financial statements. Further details as to why control exists is noted in note 3.

CHAPEL DOWN GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.3 Going concern

Accounting standards required the directors to consider the appropriateness of the going concern basis when preparing the financial statements. Having considered the period to December 2022, the directors confirm that they consider that the going concern basis remains appropriate. Covid-19 has impacted the business, however we have been able to maintain a healthy cash position through the support of the Government furlough scheme, the increase in off-trade, rapid growth in online sales and the support of our bank HSBC.

As detailed in note 23 to the financial statements, after the year end, £2.8m of the loan balance was converted into a 15 year mortgage, £3.9m was converted into a 7 year asset finance loan and £700,000 was converted into an interest only loan. The remaining amount was repaid.

The directors believe that, despite the impact of Covid-19 on our on-trade business and our own hospitality venues, the group has sufficient resources to continue in operational existence for the foreseeable future.

The directors believe this to be the case as the group has positive reserves and cash balances. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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.

Revenue for guided tours is recognised on the date at which the tour takes place.

2.5 Goodwill

Acquired goodwill is written off in equal instalments over 10 years, its estimated useful economic life.

Goodwill arising on consolidation is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities acquired. Goodwill is amortised to the profit and loss account over its estimated economic life of 10 years.

2.6 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.

CHAPEL DOWN GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.6 Tangible fixed assets (continued)

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 land and buildings	- Straight line over 50 years on the buildings and 20 years on Kits Coty Vineyard
Short-term leasehold property	- 10 years straight line
Plant and machinery	- Between 5%- 20% straight line
Motor vehicles	- 25% reducing balance
Fixtures and fittings	- 15% reducing balance
Office equipment	- 5 years straight line
Computer equipment	- 3 years straight line
Biological assets	- 20 years

Land included within Freehold land and buildings is not depreciated.

Assets under construction are not depreciated.

The group owns biological assets in the form of grape vines which are cultivated on land owned and/or leased by the group. The cost of bringing the vines to maturity for the first 3 years of the vines life are capitalised. These costs include attributable overheads as well as capital items that would otherwise have the same economic life as the biological assets.

The biological assets have an expected useful life of 20 years are depreciated over 20 years once all the attributable costs from year 1 to 3 have been capitalised with the depreciation of the asset beginning in year 3 after the vines are planted in year 1. The method used to depreciate these assets takes into account that the 3rd and 4th year bringing a biological asset to maturity will offer restricted harvest before the asset will be matured in year 5. In year 3 the asset is depreciated by a third of the annual depreciation rate. In year 4 the asset is depreciated by two thirds and from year 5 the asset is depreciated for the remaining for 19 years.

2.7 Investment in subsidiaries

Investments in subsidiaries are measured at cost less accumulated impairment.

2.8 Stocks

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

Direct costs of the winery and the brewery 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.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the profit and loss account.

CHAPEL DOWN GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.9 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.

Certain intercompany loans attract interest at rates that the directors consider to be below market rate. These loans are discounted to their present value using an appropriate discount rate. The impact of the discounting is taken to investments. The discounting is released to the profit and loss account over the term of the loans.

2.10 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 consolidated 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 Group's cash management.

2.11 Financial instruments

The group 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 consolidated profit and loss account.

2.12 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.

2.13 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.

CHAPEL DOWN GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.14 Finance costs

Finance costs are charged to the consolidated 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.

2.15 Share based payments

The group issues equity-settled share-based payments to certain employees of the group. 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 group'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.

2.16 Operating leases

Rentals paid under operating leases are charged to the consolidated profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.17 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the consolidated 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 Group in independently administered funds.

2.18 Interest income

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

2.19 Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by adjusting the earnings and number of shares for the effects of dilutive options and other dilutive potential ordinary shares.

CHAPEL DOWN GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.20 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated statement of comprehensive income, 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 and the Group operate and generate 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;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

CHAPEL DOWN GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

The group 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.

Control of Curious Drinks Limited - For the years ended 31 December 2016 and 2017 Curious Drinks Limited was accounted for as an associate in the consolidated balance sheet as the directors did not consider that Chapel Down Group Plc had control over the entity, but rather significant influence. The opinion changed on 30 January 2018 and since this time Curious Drinks Limited has been treated as a subsidiary, as required under FRS 102. This is considered to be a key judgement by the directors, as it has a significant impact on the consolidated financial statements. In making this judgement the directors considered the voting rights of the group, the financing provided by Chapel Down Group Plc to Curious Drinks Limited, the composition of the Curious Drinks Limited board, the power to appoint the majority of board members, and the influence over the operational activities of Curious Drinks Limited.

Consolidation of Curious Drinks Limited - From 30 January 2018 Curious Drinks Limited has been treated as a subsidiary of Chapel Down Group Plc. In consolidating the results of Curious Drinks Limited the directors have made a number of significant judgements.

The consolidation of Curious Drinks Limited gives rise to certain accounting decisions, the most significant is whether Chapel Down Group Plc should account for its economic interest in Curious Drinks Limited (90.2%) or its interest in the voting rights (49.79%). In making this judgement, the directors have considered the rights of the two classes of shares in Curious Drinks Limited. The holders of the B shares carry no voting rights and are not entitled to participate in the profits of the company or receive dividends. They are entitled to participate in the aggregate proceeds of an exit (sale of Curious Drinks Limited or a listing of Curious Drinks Limited shares) and shall rank *pari passu* with the A shareholders for such purpose. Based on an analysis of the current position of Curious Drinks Limited the directors consider it appropriate to recognise the non-controlling interest at a rate of 50.2%.

Balance owed from related parties/group entities - The directors annually assess the carrying value of intercompany and related party debt to assess whether a provision needs to be entered against amounts which may not be recoverable.

Discounting loans owed from group entities - Interest is charged on the loan to Curious Drinks Limited at a rate of 2.5%. The directors have assessed that this rate is below the market rate, therefore have discounted the loan to its present value in accordance with the requirements of FRS 102. In making this adjustment the directors have deemed the market rate of interest to be 7%.

Investments - the directors annually assess the carrying value of investments to assess whether an impairment is required.

CHAPEL DOWN GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

4. Turnover

The whole of the turnover is attributable to the principal activity of the group, the production and sale of alcoholic beverages.

All of the reported revenue and operational results for the period derive from the group's external customers. All non-current assets are held within the United Kingdom. The group is not reliant on any one customer and no customer accounts for more than 10% of the total revenues.

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	16,020,105	12,764,967
Rest of Europe	3,433	12,773
Rest of the world	88,399	85,688
	<u>16,111,937</u>	<u>12,863,428</u>

5. Operating loss

The operating loss is stated after charging:

	2019 £	2018 £
Depreciation of tangible fixed assets	1,545,278	604,279
Amortisation of goodwill	10,228	13,228
Amortisation of intangible assets, excluding goodwill	7,440	3,720
Exchange differences	3,425	3,926
Land operating leases	93,276	92,790
Other operating leases	58,462	48,297
	<u>1,718,110</u>	<u>762,240</u>

6. Auditor's remuneration

	2019 £	2018 £
Fees payable to the group's auditor and in respect of:		
Audit of the financial statements	30,870	30,000
Taxation compliance services	10,810	10,000
Other services relating to taxation	-	9,645
Other services	5,090	4,200
	<u>46,770</u>	<u>53,845</u>

CHAPEL DOWN GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

7. Employees

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

	2019 £	2018 £
Wages and salaries	3,334,279	2,388,861
Social security costs	330,685	262,288
Cost of defined contribution scheme	72,752	44,147
	<u>3,737,716</u>	<u>2,695,296</u>

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

	2019 No.	2018 No.
Administration	28	24
Production	38	25
Retail	74	24
Directors	4	4
	<u>144</u>	<u>77</u>

Employment costs include share based payments of £42,532 (2018 - £57,161) relating to the effect of section 26 of FRS 102. 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.

CHAPEL DOWN GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

8. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	617,166	613,752
Company contributions to defined contribution pension schemes	13,075	9,710
	<u>630,241</u>	<u>623,462</u>

During the year retirement benefits were accruing to 4 directors (2018 - 4) in respect of defined contribution pension schemes.

The highest paid serving director at the year end received remuneration in the year of £195,408 (2018 - £193,289). The highest paid director serving during the year received a remuneration of £270,754 (2018 - £160,962.72).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £4,125 (2018 - £3,060).

The directors remuneration note on the exercise of share options should read as follows; During the year two directors (2018 – one) exercised 2,588,124 (2018 – 294,263) share options and the total exercise price paid to the company was £318,516 (2018 - £36,639). No directors were issued share options during the year (2018 – nil).

9. Interest receivable

	2019 £	2018 £
Interest received from associate undertakings	-	3,111
Bank and other interest receivable	22,581	60,072
	<u>22,581</u>	<u>63,183</u>

10. Interest payable and similar expenses

	2019 £	2018 £
Bank loan interest payable	218,910	31,854

CHAPEL DOWN GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

11. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	(25,944)	94,637
Adjustments in respect of previous periods	(18,711)	(33,786)
Total current tax	<u>(44,655)</u>	<u>60,851</u>
Deferred tax		
Origination and reversal of timing differences	(97,878)	25,480
Adjustments in respect of prior periods	(15,373)	12,938
Effect of change of tax rate on opening balance	-	(36,019)
Total deferred tax	<u>(113,251)</u>	<u>2,399</u>
Taxation on (loss)/profit on ordinary activities	<u><u>(157,906)</u></u>	<u><u>63,250</u></u>

CHAPEL DOWN GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - *higher than*) the standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%). The differences are explained below:

	2019 £	2018 £
Loss on ordinary activities before tax	(4,285,091)	(850,328)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%)	(814,167)	(161,563)
Effects of:		
Ineligible depreciation and amortisation	162,979	35,632
Expenses not deductible for tax purposes	6,302	22,923
Impairment losses not deductible	256,037	-
Adjustments to tax charge in respect of prior years	(34,084)	(20,848)
Adjust deferred tax to average corporation tax rate	69,013	(39,019)
Deferred tax on losses not recognised	-	239,615
Tax relief on exercise of share options	(319,376)	836
Deferred tax on share options previously not recognised	28,122	(14,326)
Deferred tax on losses not recognised	487,268	-
Total tax charge for the year	(157,906)	63,250

Factors that may affect future tax charges

Curious Drinks Limited has £5,591,891 of tax losses to carry forward. £354,977 of the losses can only be carried forward to set against future profits of the same trade. £5,236,914 of the losses can be set against any future total profits. A deferred tax asset of £834,271 has not been recognised in respect of the tax losses as the directors do not believe that they can be utilised in the short term.

12. Exceptional items

The exceptional costs relate to the impairment and disposal of the Gin Works assets that ceased operations in the year and release of associated accruals for the Gin Works. These costs totalled £1,247,237.

CHAPEL DOWN GROUP PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

13. Parent company profit for the year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The loss after tax of the parent company for the year was £1,143,465 (2018 - *profit* £316,928).

CHAPEL DOWN GROUP PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

14. Earnings per share

The calculation of basic earnings per share is based on the earnings after tax and on a weighted average number of ordinary shares in issue in the period. The diluted earnings per share allows for the effects of all dilutive potential ordinary shares.

	Loss after tax 2019 * £	Loss after tax 2018 £	Weighted average number of shares 2019 £	Weighted average number of shares 2018 £	Loss per share 2019 Pence	Loss per share 2018 Pence
Basic earnings	(2,650,132)	(166,512)	143,042,033	140,925,310	(1.85)	(0.118)
Effect of dilutive share options	-	-	-	-		
Diluted earnings**	<u>(2,650,132)</u>	<u>(166,512)</u>	<u>143,042,033</u>	<u>140,925,310</u>	<u>(1.85)</u>	<u>(0.118)</u>

Adjusted earnings per share

	Loss after tax 2019 £	Loss after tax 2018 £	Weighted average number of shares 2019 £	Weighted average number of shares 2018 £	Loss per share 2019 Pence	Loss per share 2018 Pence
Basic earnings	(2,650,132)	(166,512)	143,042,033	140,925,310	(1.85)	(0.118)
Add back share based payment	42,532	57,161	-	-	-	-
Adjusted earnings	(2,607,600)	(109,351)	143,042,033	140,925,310	(1.82)	(0.078)
Effect of dilutive share options	-	-	-	-	-	-
Diluted earnings**	<u>(2,607,600)</u>	<u>(109,351)</u>	<u>143,042,033</u>	<u>140,925,310</u>	<u>(1.82)</u>	<u>(0.078)</u>

* Loss after tax attributable to the equity holdings of the parent company.

** There is a potential adjustment to the number of shares that would have been issued assuming the exercise of all outstanding share options. The potential ordinary shares are considered anti-dilutive as they decrease the loss per share. Therefore, the diluted loss per share is the same as the basic loss per share in 2019.

CHAPEL DOWN GROUP PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

15. Intangible assets

Group

	Website £	Goodwill £	Total £
Cost			
At 1 January 2019	37,200	102,276	139,476
At 31 December 2019	<u>37,200</u>	<u>102,276</u>	<u>139,476</u>
Amortisation			
At 1 January 2019	3,720	9,376	13,096
Charge for the year	7,440	10,228	17,668
At 31 December 2019	<u>11,160</u>	<u>19,604</u>	<u>30,764</u>
Net book value			
At 31 December 2019	<u>26,040</u>	<u>82,672</u>	<u>108,712</u>
<i>At 31 December 2018</i>	<u>33,480</u>	<u>92,900</u>	<u>126,380</u>

CHAPEL DOWN GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

16. Tangible fixed assets

Group

	Freehold land and buildings £	Short-term leasehold property £	Plant and machinery £	Motor vehicles £	Fixtures, fittings and equipment £	Assets under construction £	Biological assets - vines £	Total £
Cost or valuation								
At 1 January 2019	7,673,020	219,995	3,874,654	35,378	680,019	4,427,316	4,684,997	21,595,379
Additions	4,268,479	-	5,179,230	-	344,343	-	2,189,550	11,981,602
Disposals	-	-	(36,900)	-	-	-	-	(36,900)
Transfers between classes	2,922,917	-	1,425,224	-	79,175	(4,427,316)	-	-
At 31 December 2019	14,864,416	219,995	10,442,208	35,378	1,103,537	-	6,874,547	33,540,081
Depreciation								
At 1 January 2019	1,118,293	48,533	1,292,600	17,257	458,757	-	144,399	3,079,839
Charge for the year on owned assets	726,760	21,999	534,485	4,530	121,323	-	136,181	1,545,278
Disposals	-	-	(11,139)	-	-	-	-	(11,139)
Impairment charge	1,142,646	-	140,526	-	64,392	-	-	1,347,564
At 31 December 2019	2,987,699	70,532	1,956,472	21,787	644,472	-	280,580	5,961,542
Net book value								
At 31 December 2019	11,876,717	149,463	8,485,736	13,591	459,065	-	6,593,967	27,578,539
At 31 December 2018	6,554,727	171,462	2,582,054	18,121	221,262	4,427,316	4,540,598	18,515,540

CHAPEL DOWN GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

Company

	Freehold land and buildings £	Short-term leasehold property £	Plant and machinery £	Fixtures, fittings and equipment £	Biological assets - vines £	Total £
Cost or valuation						
At 1 January 2019	7,420,533	219,995	635,500	-	4,684,997	12,961,025
Additions	459,329	-	204,291	85,052	2,189,550	2,938,222
At 31 December 2019	7,879,862	219,995	839,791	85,052	6,874,547	15,899,247
Depreciation						
At 1 January 2019	958,919	48,533	522,237	-	144,399	1,674,088
Charge for the year on owned assets	637,811	21,999	66,013	14,462	136,181	876,466
Impairment charge	1,142,646	-	140,526	64,392	-	1,347,564
At 31 December 2019	2,739,376	70,532	728,776	78,854	280,580	3,898,118
Net book value						
At 31 December 2019	5,140,486	149,463	111,015	6,198	6,593,967	12,001,129
At 31 December 2018	6,461,614	171,462	113,263	-	4,540,598	11,286,937

CHAPEL DOWN GROUP PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

17. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2019	1,780,839
Additions	478,326
At 31 December 2019	<u>2,259,165</u>

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding
English Wines Plc	Ordinary	100%
Curious Drinks Limited	A Shares	49.79%
	B shares	100%
Chapel Down Group Limited (dormant)	Ordinary	100%

18. Stocks

	Group 2019 £	Group 2018 £
Raw materials and consumables	257,955	498,108
Work in progress	8,171,009	6,130,324
Finished goods and goods for resale	2,290,397	1,051,270
	<u>10,719,361</u>	<u>7,679,702</u>

19. Debtors

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Due after more than one year				

CHAPEL DOWN GROUP PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

19. Debtors (continued)

Amounts owed by group undertakings	-	-	18,362,280	11,254,150
	<u>-</u>	<u>-</u>	<u>18,362,280</u>	<u>11,254,150</u>

Included within amounts owed by group undertakings is a loan of £10,589,328 due from English Wines Plc. The loan to English Wines Plc attracts interest at a rate of 7% per annum. The loan is not repayable before 1 January 2021.

Included within amounts owed by group undertakings is a loan of £7,772,952 due from Curious Drinks Limited. The loan to Curious Drinks attracts interest at a rate of 2.5% per annum. The loan is not repayable before 31 March 2021. In line with the rate charged to English Wines Plc the loan has been discounted to its present value using a discount rate of 4.5% giving a market rate of interest of 7%. This resulted in a capital contribution of £478,326 as shown in note 17.

	Group 2019 £	<i>Group 2018 £</i>	Company 2019 £	<i>Company 2018 £</i>
Due within one year				
Trade debtors	2,577,979	<i>2,077,098</i>	-	-
Other debtors	515,881	<i>1,121,222</i>	346,007	<i>94,023</i>
Prepayments and accrued income	274,527	<i>412,438</i>	-	-
	<u>3,368,387</u>	<u><i>3,610,758</i></u>	<u>346,007</u>	<u><i>94,023</i></u>

20. Cash and cash equivalents

	Group 2019 £	<i>Group 2018 £</i>	Company 2019 £	<i>Company 2018 £</i>
Cash at bank and in hand	2,473,457	<i>12,829,910</i>	824,186	<i>10,019,294</i>

CHAPEL DOWN GROUP PLC

**NOTES TO THE FINANCIAL STATEMENTS
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21. Creditors: Amounts falling due within one year

	Group 2019 £	<i>Group 2018 £</i>	Company 2019 £	<i>Company 2018 £</i>
Bank loans	7,800,000	3,570,000	-	-
Trade creditors	2,479,728	2,437,445	-	-
Corporation tax	-	91,214	-	46,609
Other taxation and social security	943,916	188,728	-	-
Other creditors	1,392,696	866,721	400	27,457
Accruals and deferred income	139,623	342,359	13,164	12,849
	<u>12,755,963</u>	<u>7,496,467</u>	<u>13,564</u>	<u>86,915</u>

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

	Group 2019 £	<i>Group 2018 £</i>
Accruals and deferred income	<u>17,934</u>	<u>23,815</u>

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23. Loans

	Group 2019 £	<i>Group 2018 £</i>
Amounts falling due within one year		
Bank loans	7,800,000	<i>3,570,000</i>
	<u>7,800,000</u>	<i><u>3,570,000</u></i>

The company has a loan facility with HSBC Bank Plc. The loan is repayable within 12 months and attracts interest at 2.25% over the Bank of England base rate.

After the year end, £2.8m of the loan balance was converted into a 15 year mortgage, £3.9m was converted into a 7 year asset finance loan and £700,000 was converted into an interest only loan. The remaining amount was repaid.

The loan is secured by a fixed and floating charge over the assets of the company and a first legal charge over the freehold land owned by Chapel Down Group Plc.

There is a subordinate agreement in place between HSBC Bank Plc, Curious Drinks Limited and subordination creditors, Chapel Down Group Plc and English Wines Plc. Subordination creditors rank behind HSBC Bank Plc.

24. Financial instruments

	Group 2019 £	<i>Group 2018 £</i>	Company 2019 £	<i>Company 2018 £</i>
Financial assets				
Financial assets measured at amortised cost	<u>5,488,850</u>	<i><u>15,127,878</u></i>	<u>1,170,144</u>	<i><u>21,367,467</u></i>
Financial liabilities				
Financial liabilities at amortised cost	<u>(11,941,040)</u>	<i><u>(7,141,829)</u></i>	<u>(13,164)</u>	<i><u>(40,306)</u></i>

Financial assets measured at amortised cost comprise amounts owed by associate and group undertakings, trade debtors, other debtors (excluding VAT), accrued income and cash at bank and in hand.

Financial liabilities measured at amortised cost comprise bank loans, trade creditors, other creditors and accruals.

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25. Deferred taxation

Group

	2019 £
At beginning of year	(224,778)
Charged to profit or loss	113,251
Arising on business combinations	-
At end of year	(111,527)

Company

	2019 £
At beginning of year	(185,692)
Charged to profit or loss	(143,885)
At end of year	(329,577)

	Group 2019 £	<i>Group 2018 £</i>	Company 2019 £	<i>Company 2018 £</i>
Accelerated capital allowances	(766,220)	(396,153)	(329,577)	(185,692)
Short term timing differences	42,329	11,310	-	-
Share options	104,867	122,799	-	-
Tax losses carried forward	507,497	37,266	-	-
	(111,527)	<i>(224,778)</i>	(329,577)	<i>(185,692)</i>

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26. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
144,186,335 (2018 - 141,425,211) Ordinary shares of £0.050000 each	7,209,317	7,071,261
14,322,158 (2018 - 14,322,200) A1 shares of £0.000100 each	1,432	1,432
3,800,000 (2018 - 3,800,000) A2 shares of £0.000100 each	380	380
Nil (2018 - 4,000,000) A3 shares of £0.000100 each	-	400
	<u>7,211,129</u>	<u>7,073,473</u>

Ordinary shares have full voting rights with 1 vote per share, they are entitled to dividends when proposed and are due a capital distribution on a company exit event.

The A1 and A2 shares have no voting rights and no specific dividend rights unless a special dividend is declared. The A1 and A2 shares only participate in value on a company exit event if the company is worth more than £33.9m at the exit date.

During the year 70,000 ordinary shares were issued at a price of 88.5p per share, contributing 83.5p per share to share premium.

During the year 10,000 ordinary share options were exercised by an employee of the group at 15p per share, contributing 10p per share to share premium.

During the year 2,388,124 ordinary share options were exercised by an employee of the group at 12.5p per share, contributing 7.5p per share to share premium.

During the year 200,000 ordinary share options were exercised by an employee of the group at 10p per share, contributing 5p per share to share premium.

During the year 50,000 ordinary share options were exercised by an employee of the group at 33p per share, contributing 28p per share to share premium.

During the year 18,000 ordinary share options were exercised by an employee of the group at 33p per share, contributing 28p per share to share premium

During the year 25,000 ordinary share options were exercised by an employee of the group at 17p per share, contributing 12p per share to share premium.

At the year end there were 9,079,893 (2018 - 11,612,075) ordinary share options outstanding, see note 28 share based payments for valuations.

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**NOTES TO THE FINANCIAL STATEMENTS
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27. Reserves

Share premium account

The share premium reserve represents the premium paid by shareholders over the nominal value of the shares purchased.

Revaluation reserve

This reserve represents the revaluation gain on freehold land and buildings, net of deferred tax adjustments.

Capital redemption reserve

This reserve is a statutory, non-distributable reserve into which amounts are transferred following the redemption or purchase of a company's own shares.

Profit and loss account

This reserve holds the accumulation of profits and losses including any dividends paid to shareholders.

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28. Share based payments

	2003	2006	2006	2009
	Fixed Price	Variable Price	Fixed Price	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	3.7	4.4
Outstanding at start of year	<i>788,124</i>	<i>2,600,000</i>	<i>324,263</i>	<i>1,341,800</i>
Weighted average exercise price at the start of the year	<i>9p</i>	<i>12.5p</i>	<i>15p</i>	<i>10p</i>
Exercised	<i>(788,124)</i>	<i>(1,600,000)</i>	<i>(10,000)</i>	<i>(200,000)</i>
Granted	-	-	-	-
Outstanding at year end	-	1,000,000	314,263	1,141,800
Weighted average exercise price at the end of the year	9p	12.5p	15p	10p
	2013	2016	2017	2018
	Fixed Price	Fixed Price	Fixed Price	Fixed Price
Number of share options	11,000,000	430,000	200,000	840,000
Vesting period (years)	4.6	4	3	3
Outstanding at start of year	<i>4,551,888</i>	<i>430,000</i>	<i>200,000</i>	<i>1,376,000</i>
Weighted average exercise price at the start of the year	<i>17p</i>	<i>33p</i>	<i>81p</i>	<i>84p</i>
Exercised	<i>(25,000)</i>	<i>(68,000)</i>	-	<i>(70,000)</i>
Forfeited	-	-	-	<i>(440,000)</i>
Outstanding at year end	4,526,888	362,000	200,000	866,000
Weighted average exercise price at the end of the year	17p	33p	81p	84p

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	2019 Fixed Price
Number of share options	668,942
Vesting period (years)	3
Outstanding at start of year	0
Weighted average exercise price at the start of the year	87p
Exercised	-
Granted	668,942
Outstanding at year end	<u>668,942</u>
Weighted average exercise price at the end of the year	87p

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

Between 2003 and 2017 16,527,335 share options were granted. The fair value 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 81p), 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 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 estimated fair value of the 668,942 share options granted in 2019 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 87p, expected volatility of 4.84%, no expected dividends, vesting period of up to 2 years and a risk free rate 0.75%.

Share options granted in 2019 have an expiry date varying between July 2021 and February 2022 depending on date of grant.

The current year expense resulting from the share options is £42,532 (2018 - £57,161).

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.

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29. Contingent liabilities

At 31 December 2019 there was a guarantee in place in favour of Her Majesty's Revenue and Customs for £270,000 (2018 - £270,000).

30. Pension commitments

The group 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 group to the fund and amounted to £72,752 (2018 - £44,147). Contributions totaling £19 (2018 - £526) were payable to the fund at the balance sheet date and are included in creditors.

31. Commitments under operating leases

At 31 December 2019 the Group and the company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2019 £	<i>Group 2018 £</i>		
Other				
Not later than 1 year	146,216	106,036		
Later than 1 year and not later than 5 years	133,691	83,669		
	<u>279,907</u>	<u>189,705</u>		
	Group 2019 £	<i>Group 2018 £</i>	Company 2019 £	<i>Company 2018 £</i>
Land and buildings				
Not later than 1 year	449,515	272,450	315,515	221,950
Later than 1 year and not later than 5 years	1,486,200	676,227	1,262,060	561,977
Later than 5 years	5,421,794	1,944,198	5,421,794	1,944,198
	<u>7,357,509</u>	<u>2,892,875</u>	<u>6,999,369</u>	<u>2,728,125</u>

32. Capital commitments

At 31 December 2019 the group had capital commitments totalling £nil (2018 - £4,480,345).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

33. Related party transactions

The company has taken advantage of the exemption in section 33 of FRS 102 from the requirement to disclose transactions with wholly owned subsidiaries on the grounds that consolidated financial statements are prepared by the parent company.

During the year Curious Drinks Limited, a non-wholly owned subsidiary of Chapel Down Group Plc, was charged interest of £198,331 (2018 - £49,841) and rent of £120,000 (2018 - £90,000). The company also paid costs on behalf of Curious Drinks Limited totalling £292,756 (2018 - £1,417,124). At 31 December 2019 £7,772,952 (2018 - £4,427,558) was owed to the company by Curious Drinks Limited.

Fees of £171,962 (2018 - £183,057) and expenses of £1,103 (2018 - £2,550) were payable to related parties in respect of investment monitoring, consultancy fees and non-executive director services. At the year-end a balance of £18,685 (2018 - £17,500) was outstanding.

During the year a director subscribed to nil (2018 - 4,000,000) A3 shares for total consideration of £nil (2018 - £400).

34. Controlling party

The directors consider that there is not one ultimate controlling party.