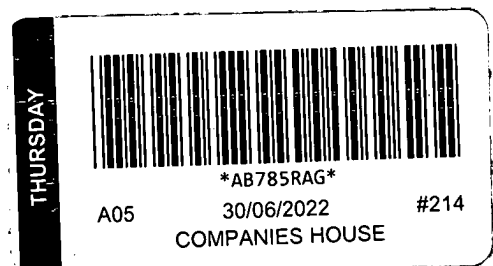


Registered number: 04362181

CHAPEL DOWN GROUP PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021



CHAPEL DOWN GROUP PLC

COMPANY INFORMATION

Directors

J. D. Brooke
A. Carter (Appointed 13/09/2021)
M. S. Harvey
R. A. B. Woodhouse
N. W. Wray
M. R. Glenn
S. Gilliland (Appointed 19/05/2021)
S. H. Emeny
S. A. Wren

Secretary

R. A. B. Woodhouse

Company number

04362181

Registered office

Chapel Down Winery
Small Hythe Road
Tenterden
Kent
TN30 7NG

Independent auditor

Crowe U.K. LLP
Riverside House
40 - 46 High Street
Maidstone
Kent
ME14 1JH

Bankers

HSBC Bank Plc
West London Corporate Centre
2nd Floor, Space One
1 Beadon Road
London
W6 0EA

CHAPEL DOWN GROUP PLC

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CHAPEL DOWN GROUP PLC

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021.

Key highlights:

Wine and Spirits (the continuing business):

- Wine sales volumes increased 17% with sparkling volumes up 39%, reflecting the growing demand for our award-winning wines and the strength of our brand.
- Wine and Spirits revenues increased 25% to £16.64m (2020: £13.29m).
- Wines and Spirits gross profit increased 37% to £7.05m (2020: £5.15m).
- Wines and Spirits Adjusted EBITDA increased 31% to £2.11m (2020: £1.61m)*.
- Direct to Consumer E-Commerce revenue grew 30% (now 24% of our business). Off-trade wine revenue grew 19%, with new customers including Tesco and existing customers including Waitrose, Marks & Spencer, J Sainsbury and Majestic performing strongly.

Group performance (including discontinued operations):

- Group revenues increased by 9% to £16.93m (2020: £15.56m).
- Group Adjusted EBITDA was a profit of £1.93m (2020: loss of (£0.02m))*.
- Profit before tax for the Group was £0.79m (2020: loss of (£7.86m)) which includes £0.39m (£6.68m) of exceptional costs associated with the disposal of Curious Drinks Limited and restructuring costs.
- Net cash at 31 December 2021 was £6.38m (2020: net debt of £7.41m) due to the fundraising of £6.88m and the disposal of the Beer and Cider Business (which had a £7.20m positive impact).
- Strong balance sheet with net assets of £31.12m (2020: £23.51m) including freehold land and buildings, planted vineyards and stock. The Board are confident the net realisable value of these tangible assets is considerably higher than the UK GAAP reported values.

Operational highlights

- Andrew Carter, previously MD of Chase Distillery and CCO of Treasury Wine Estates, joined as Chief Executive Officer in September 2021.
- Successful completion of an equity fundraising of £6.88m together with a new £15m asset-based lending facility, both in June 2021, will enable us to continue to invest in growth and meet the strong demand for our high quality wines.
- Further recognition of the premium quality of our wines with a Platinum medal for our Rose Brut NV and Gold for Kit's Coty Coeur de Cuvee 2015 and Kit's Coty Bacchus 2019 at The Decanter World Wine 2021 Awards. These, along with trophies and Golds in the WineGB awards for both sparkling and still wines reinforces Chapel Down's position as England's leading wine producer.
- The Company divested its Beer and Cider business on 23 April 2021 in order to focus entirely on the exciting English wine business.

* Excludes the effect of the exceptional costs and the FRS 102 Section 26 share option accounting adjustment of £24k (2020: £40k) which is a non-cash item.

Chairman's Commentary

2021 has seen some significant changes at Chapel Down in terms of business focus and personnel. We divested the Curious Beer business in order to focus all of our efforts and financial resources on our exciting wine business. Our long-standing CEO, Frazer Thompson retired and in September was replaced by Andrew Carter, a drinks industry veteran, who has done a splendid job in reorienting the company towards our core business of wine, where the greatest opportunity lies.

The results of this refocus have been immediately positive. Chapel Down, trading for much of the year as solely a wine and associated spirits business has delivered excellent financial results in terms of strong sales growth, gross margin expansion and a positive swing of EBITDA profitability to £1.930m (2020: loss of (£0.021m)). We have, in my view, a really strong platform for profitable growth over the coming decade.

Despite the uncertainty of having to implement a strategic shift in divesting the beer business, our asset base is very strong and will support the future business growth – high quality acreage of owned and leased land, stocks of valuable wines, buildings and equipment, and a strong English wine brand. I am confident in the strength of our refocused business and that we can continue to demonstrate profitable growth.

English Wine is thriving and the market continues to grow at a rapid pace. With 3,800 hectares under vines and 800 wineries, investment continues to increase and at the start of 2022 the industry attracted more foreign interest with Henkell Freixet buying the Bolney vineyard in Kent. This is great news for the English Wine category and as clear market leader Chapel Down will benefit from a rising tide of investment into the world's newest and most sensational wine region. The Alcohol Duty changes announced on the 2021 budget will also help the sparkling English Wine category which has historically been taxed more heavily and we expect to see the benefits of this in 2023 when it comes into force.

CHAPEL DOWN GROUP PLC

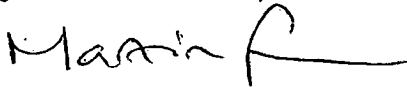
CHAIRMAN'S STATEMENT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

Despite all of the change at Chapel Down and in the wider marketplace it is comforting to see the things that don't change. We continue to win awards for our high quality wines. Since the end of lockdowns people have been flooding back to our Tenterden winery, confirming it as the biggest wine attraction in the UK. Our brand recognition and reputation continue to grow benefitting from the consistent investment in marketing.

These enduring sources of competitive advantage will help us cope with the challenges posed by a lower grape harvest and the increase in input prices that all businesses are having to manage. During times of inflation strong brands cope the best because they have pricing power as a result of their strong appeal to consumers. This is certainly true for Chapel Down.

I am extremely confident about our future now we are again a focused wine business. A great brand, an understanding of how to make great wines and a talented and motivated team of people is a powerful mix and one to feel good about.

Finally, I would like to thank all of our thousands of enthusiastic and committed shareholders, longstanding and new, without whom this progress would not have been possible.



Martin Glenn
Chairman

Date

24/04/22

CHAPEL DOWN GROUP PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Introduction

Chapel Down Group Plc is pleased to announce the company's results for the 12 month period ended 31 December 2021

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

2021 was a year of great change for everyone, as the world adjusted post Covid and Brexit, and faced up to the variety of challenges that these brought for business. Despite these hurdles, the English wine region continued to grow and excitement around the opportunity for English wine increased in every quarter – amongst customers, consumers, critics and retailers alike.

In Chapel Down we have the market leading English wine brand with the highest brand awareness, the broadest distribution, a strong and growing on-line offering, a tourism retail business with strong potential for future growth, and an asset base on which to further accelerate growth.

Therefore, I am thrilled to be leading the Chapel Down team as we re-focus our business around building our position as the number one and most celebrated English winemaker.

Turning to 2021 performance, I am pleased to share:

Performance review

The table below summarises the key performance indicators which are referenced in the performance review commentary that follows:

	Wines and Spirits – Continued Operations			Beer and Cider - Discontinued Operations			Combined Businesses		
	FY 2021	FY 2020	%age Variance	Partial year 2021	FY2020	%age Variance	FY 2021	FY 2020	%age Variance
	£'000	£'000		£'000	£'000		£'000	£'000	
Turnover	16,640	13,294	25%	287	2,265	-87%	16,927	15,559	9%
Gross profit	7,048	5,149	37%	61	451	-86%	7,109	5,600	27%
Gross profit %age	42%	39%		21%	20%		42%	36%	

Continuing Operations:

Chapel Down has a long and sustained record of growth. So, on a continuing operations basis, we were delighted that we were able to deliver a 25% increase in our turnover to £16.640m (2020: £13.294m) and a 37% increase in our gross profit, to £7.048m (2020: £5.149m). Administrative expenses excluding exceptional administrative expenses on a continuing basis increased by £1.412m, 34% year-on-year reflecting investment in marketing to support national retailers and the growth in direct to consumer sales. Adjusted EBITDA on a continuing basis increased 31% to a profit of £2.113m (2020: profit of £1.608m)*.

Following the successful fundraising in June 2021 which raised £6.876m, and the securing of a new £15m asset based lending facility, we plan to continue to invest to ensure we are able to grow our supply of the highest quality fruit and to process that fruit into the best wine possible at an improved winery. In addition, we will continue to invest in our team, our systems and the Chapel Down brand.

Our English wine sales volume grew by 17% in 2021, and our sparkling wine sales were up over 39%. We believe that the consumer is increasingly looking for brands that are more interesting, relevant and distinctive. As the quality and excitement around English wines continues to grow, both here and abroad, Chapel Down as the industry's leading brand will be at the forefront.

The Chapel Down brand is available across all trade channels. We have growing demand from our retail customers. Tesco added our flagship Brut NV to their range in April 2021. Along with Sainsbury, Majestic, Waitrose and Marks and Spencer, Chapel Down is available in more places than any other English wine brand. Our e-commerce business continues to grow with a database of over 50,000 consumers, of which 25,000 purchased our wines in 2021. Post Covid as the Pubs and Hospitality business re-emerge there is a strong growth opportunity for Chapel Down and we have started to increase our sales team resource and focus on this channel and will launch a new Chapel Down Vintage Reserve Brut variant in the Spring 2022.

We will continue to grow our brand awareness and affinity through our advertising, promotion and sponsorship partnerships. Chapel Down is showcased as the Official Sparkling Wine of the Oxford & Cambridge Boat Race and across Ascot Racecourse throughout the year. Continuing the sporting theme, we were pleased to announce on 6 April 2022 that Chapel Down is now the Official Sparkling Wine of English Cricket, as we entered a new partnership with the England and Wales Cricket Board (ECB). Chapel Down is also very visible in the Arts, with partnerships with The Donmar Warehouse theatre, the Turner Contemporary gallery and the Royal Opera House. Our retail and tourism experience welcomes 55,000 consumers to Tenterden each year and is a platform on which to build life-time brand ambassadors and brand value. We have also increased our reach across our social media channels, which is a core channel for communicating with our customers.

CHAPEL DOWN GROUP PLC

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

The 2021 harvest was one of the more challenging in recent years, with industry yields down by c.30% and Chapel Down by 23%. Whilst we will see some impact on our still wine stock levels for 2022, we have worked hard to build stocks of our sparkling wines over the last four years, which will enable us to continue to maintain our growth momentum in English Sparkling wines. Looking further ahead, we will also be planting a further 150 acres of vineyards in 2022/3, which will increase our fruit acreage to 900 acres, solidifying our place as the largest producer in England. We continue to expect yields to improve long term as viticulture improves and our latest plantings on better sites start to bear fruit.

The genesis of a new global wine region does not happen very often. Our sparkling wines continue to set the standard for the industry, offering outstanding quality and value. We are at this seminal point as a result of the company investment in its brand, its assets and its people to build a healthier, more sustainable company with a really exciting future. There is still a world of opportunity and a long way to go both at home and abroad.

Discontinued Operations - Review and Disposal of Curious Drinks Limited:

On 9 February 2021 we announced that we intended to dispose of the Curious Drinks ("Curious") business and assets, comprising the Curious Beer and Cider brands and the Curious Brewery and restaurant, to a new company established at the direction of Risk Capital Partners LLP ("RCP").

The decision followed a strategic review by the Board, which was undertaken as a consequence of the effects of the COVID-19 pandemic on the hospitality industry. As disclosed in our interim results released on 30 September 2020, with 90% of its beer sold to the on-trade, Curious Drinks was significantly impacted by the closure of pubs, bars, restaurants and hotels and other hospitality venues and events due to the UK Government imposed lockdowns.

During the period prior to disposal we made a conscious decision to minimise spend on the beer business in 2021 in order to focus all of the Company's energy and resources on our Wine business, where the Board is confident there are significant opportunities for profitable growth. The turnover of Curious was down 87% to £0.287m (2020: £2.265m) reflecting the closure of the on-trade. This, along with the furloughing of staff and a redundancy programme in Q3 2020 resulted in overhead expenditure down £2.474m as the brewery was effectively mothballed for much of the period to disposal.

The disposal of the Curious Drinks Business completed on 23 April 2021 and resulted in an improvement in the Company's net debt of £7.202m on completion. As announced on 9 February 2021, Chapel Down offered all registered Curious shareholders the opportunity to convert their shares in Curious into shares in Chapel Down.

The adjusted EBITDA* for Curious was a loss of (£0.183m) (2020: loss of (£1.629m)).

Combined Operations

The combined business made a profit before tax of £0.790m (2020: loss of (£7.860m)) with the Wines and Spirits delivering a profit before tax of £1.101m (2020: £0.955m) which included exceptional administrative expenses of £0.287m (2020: £nil) and Curious Drinks recording a loss before tax of (£0.311m) (2020: loss of (£8.815m)) which included an exceptional cost of £0.100m (2020: £6.677m) associated with the disposal of Curious Drinks Limited.

As England's leading and largest wine maker, we are now solely focused on delivering on the opportunities presented by a growing market for English wine both at home and abroad.

Business risks and uncertainties

COVID-19 will naturally continue to pose challenges to all businesses associated with hospitality and leisure however, our multi-channel sales approach allows us to manage these customer variations. The positive emergence of strong on trade hospitality operators post crisis, focused on building business partnerships with strong category leaders and delighting consumers with award winning products, leaves Chapel Down in a strong position going into the summer.

Cost inflation remains a challenge with respect to our liquid, dry goods, energy and labour costs. Our position is mitigated by the availability of sparkling wines stocks, the continued negotiation of costs linked to growing scale and efficiencies and the implementation of consumer price increases as we continue to focus on premiumising the Chapel Down brand in the market place.

Brexit fallout will continue to have an impact on access to EU or other foreign workers for our viticulture, however our scale enables a preferential position with respect to our agency labour pools and ability to attract labour. We will also continue to trial the latest mechanical picking technology with respect to the picking of our still wine grapes.

CHAPEL DOWN GROUP PLC

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Business risks and uncertainties (continued)

There is always the risk of a poor grape harvest through extreme weather events, but we mitigate this risk 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.

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

Outlook for the future

2022 will be a year in which total wine volumes will be lower due to the availability of still wines from the lower yielding 2021 harvest. However, we forecast continued full year 2022 revenue growth and higher gross profitability resulting from the growth of sparkling wines sales and the benefit of price increases.

The English wine market is in growth and there is a significant opportunity to further build and develop our category leading Chapel Down brand with our customers and consumers.

Our business vision is to remain the No.1 and most celebrated English winemaker by continuing to grow scale and premiumise our brand, increase focus on growing our more profitable sparkling wines and continue to delight consumers, trade and wine critics with our range of extraordinary wines. At the foundation of this vision is the acreage of high quality fruit and plans for a new winery that will enable us to organically double the size of the Chapel Down business during the next 4-5 years.

We have completed the re-building of an outstanding executive leadership team and are professionalising our systems and business processes and developing a passionate team of employees all focused on changing the way the world thinks about English wines forever. And crucially, we have the support of an army of shareholders. Thank you for coming on this journey with us and for your continuing support as we focus our business on building our leadership position in the English wine market.

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.

CHAPEL DOWN GROUP PLC

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Section 172 statement (Continued)

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.

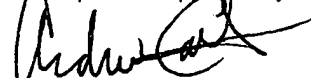
Suppliers

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.

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 24 April, 2022 and signed on its behalf.



A. Carter
Director

* Excludes the effect of the exceptional costs and the FRS 102 Section 26 share option accounting adjustment of £24k (2020: £40k) which is a non-cash item.

CHAPEL DOWN GROUP PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their report and the financial statements for the year ended 31 December 2021.

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 profit for the year, after taxation, amounted to £1,077,626 (2020 - loss £7,959,572).

The profit for the year, after taxation and minority interests, amounted to £1,234,086 (2020 - loss £2,800,003). The directors do not recommend the payment of a dividend.

Directors

The directors who served during the year were:

J. D. Brooke
A. Carter (Appointed 13/09/2021)
M. S. Harvey
F. D. Thompson (Resigned 13/09/2021)
R. A. B. Woodhouse
N. W. Wray
M. R. Glenn
S. Gilliland (Appointed 19/05/2021)
S. H. Emeny
S. A. Wren

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

CHAPEL DOWN GROUP PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

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.

The group actively manages its financial risk in order to meet its foreseeable needs in the short and medium term. During the year the group completed a fundraising of £6.88m through the issue of new shares. 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

Company law requires the directors to consider the appropriateness of the going concern basis when preparing the financial statements. Having considered the period to December 2023, the directors confirm that they consider that the going concern basis remains appropriate. COVID-19 has impacted the business; however the group has been able to maintain a healthy cash position through the successful £6.876m crowdfunding which closed July 2021 and the £15m financing facility provided by PNC Business Credit which includes a £3m term loan and £12m revolving credit facility.

The directors believe that the group has sufficient resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Disclosure of information to auditor

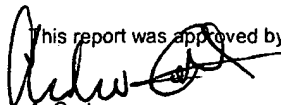
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- So far as the director is aware, there is no relevant audit information of which the company 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

On 1 February 2022, Richard Woodhouse, a director, exercised 554,076 options over Ordinary Shares. There were 276,234 and 277,842 options exercised at a price of 10 pence and 17 pence per Ordinary Share respectively.

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 24 April, 2022 and signed on its behalf.
A. Carter
Director

CHAPEL DOWN GROUP PLC

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

FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021, which comprise the Group statement of comprehensive income for the year ended 31 December 2021, the Group and parent company balance sheets as at 31 December 2021, the Group statement of cash flows for the year ended 31 December 2021, the Group and company statement of changes in equity for the year ended 31 December 2021 and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and 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 2021 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, 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 related to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included the following:

- We obtained and reviewed management's trading budget for the period to 31 December 2023 and cash flow forecast to 31 December 2023. In addition to the review of arithmetical accuracy, we also discussed the key assumptions with management and ensured they are reasonable with our understanding of the business and sector. The trading budget and cash flow forecast show the group as being profitable and cash generative throughout the forecast period.
- We reviewed the Board minutes and discussed with management any matters not documented in the minutes.
- We enquired with management whether there are any significant subsequent events that may impact on going concern.
- We obtained evidence of the new finance facility signed in June 2021.

In addition to the above, we noted that the group has significant net assets and cash reserves at 31 December 2021.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

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 £200,000 based on 1.2% of turnover (2020 - £250,000). 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.

CHAPEL DOWN GROUP PLC

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

FOR THE YEAR ENDED 31 DECEMBER 2021

Overview of our audit approach (continued)

We use 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. Based on our professional judgement, we determined performance materiality for the group financial statements as a whole to be £140,000 (2020 - £175,000).

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

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

Overview of the scope of our audit

The audit procedures have been carried out solely by Crowe U.K. LLP. 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 group's systems in use are working effectively and tests of detail selecting transactions via sampling techniques.

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.

In addition to the matter described in the Conclusion related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How 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>Disposal of Curious Drinks Limited</u> The trade and assets of Curious Drinks Limited were disposed of in the year. A risk therefore exists that the transactions used to account for the disposal were inappropriate and not in line with the requirements of FRS 102. A risk also exists that the disclosure in the financial statements regarding the disposal are inaccurate and/or incomplete.	The accounting transactions associated with the disposal were reviewed and recalculated. We also considered the timing of the different stages of the transaction and considered the impact on the financial statements. Written correspondence was obtained from the group's lawyers in respect of this. We also considered the completeness and accuracy of the disclosures in the financial statements with reference to the requirements of FRS 102.

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

Other information

The directors are responsible for the other information contained within the annual report. 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.

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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

CHAPEL DOWN GROUP PLC

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

FOR THE YEAR ENDED 31 DECEMBER 2021

Other information

The directors are responsible for the other information contained within the annual report. 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.

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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 11 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

We obtained an understanding of the legal and regulatory frameworks within which the company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006 and taxation legislation.

CHAPEL DOWN GROUP PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHAPEL DOWN GROUP PLC (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Auditor's responsibilities for the audit of the financial statements (continued)

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management. Our audit procedures to respond to these risks included:

- enquiry of management about the Group's policies, procedures and related controls regarding compliance with laws and regulations and if there are any known instances of non-compliance;
- examining supporting documents for all material balances, transactions and disclosures;
- review of the board meeting minutes;
- enquiry of management and review and inspection of relevant correspondence;
- evaluation of the selection and application of accounting policies related to subjective measurements and complex transactions;
- analytical procedures to identify any unusual or unexpected relationships;
- testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; and
- review of accounting estimates for biases.

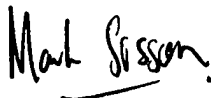
Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

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

Use of our report

Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Mark Sisson (Senior Statutory Auditor)

for and on behalf of
Crowe U.K. LLP

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

24 APRIL 2022

CHAPEL DOWN GROUP PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021			2020		
		Continuing operations	Curious Drinks Limited discontinued operations	Total	Continuing operations	Curious Drinks Limited discontinued operations	Total
		£	£	£	£	£	£
Turnover	4	16,639,885	287,284	16,927,169	13,294,295	2,265,053	15,559,348
Cost of sales		(9,592,142)	(226,685)	(9,818,827)	(8,144,800)	(1,813,956)	(9,958,756)
Gross profit		7,047,743	60,599	7,108,342	5,149,495	451,097	5,600,592
Administrative expenses		(5,610,351)	(243,474)	(5,853,825)	(4,198,337)	(2,717,164)	(6,915,501)
Share based payment charge		(23,564)	-	(23,564)	(40,434)	-	(40,434)
Exceptional costs	13	(287,416)	(100,208)	(387,624)	-	(6,677,409)	(6,677,409)
Operating profit/(loss)	6	1,126,412	(283,083)	843,329	910,724	(8,943,476)	(8,032,752)
Government Grant Income	5	73,255	57,261	130,516	161,017	384,357	545,374
Interest receivable and similar income	10	38	-	38	4,736	952	5,688
Interest payable and expenses	11	(98,723)	(85,019)	(183,742)	(121,647)	(256,804)	(378,451)
Profit / (Loss) before taxation		1,100,982	(310,841)	790,141	954,830	(8,814,971)	(7,860,141)
Tax on loss	12	287,485	-	287,485	(99,431)	-	(99,431)
Profit / (Loss) for the financial year		1,388,467	(310,841)	1,077,626	855,399	(8,814,971)	(7,959,572)
Profit / (Loss) for the year attributable to:							
Non-controlling interests		-	(156,460)	(156,460)	-	(5,159,569)	(5,159,569)
Owners of the parent company		1,388,467	(154,381)	1,234,086	855,399	(3,655,402)	(2,800,003)
		1,388,467	(310,841)	1,077,626	855,399	(8,814,971)	(7,959,572)
Adjusted performance measures							
Operating profit / (loss)		1,126,412	(283,083)	843,329	910,724	(8,943,476)	(8,032,752)
Share based payment		23,564	-	23,564	40,434	-	40,434
Depreciation and amortisation		675,806	-	675,806	657,222	637,180	1,294,402
Exceptional costs		287,416	100,208	387,624	-	6,677,409	6,677,409
EBITDA excluding share based payment		2,113,198	(182,875)	1,930,323	1,608,380	(1,628,887)	(20,507)
Earnings per share (pence)				2021			2020
				£			£
Basic				0.822			(1.940)
Diluted				0.795			(1.940)
Basic adjusted performance measure				0.837			(1.912)
Diluted adjusted performance measure				0.811			(1.912)

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

CHAPEL DOWN GROUP PLC
COMPANY REGISTERED NUMBER 04362181


CONSOLIDATED BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	2020 £
Fixed assets			
Intangible assets	16	116,834	31,815
Tangible assets	17	<u>14,577,720</u>	<u>21,054,657</u>
		14,694,554	21,086,472
Current assets			
Stocks	19	12,579,207	12,028,863
Debtors: amounts falling due within one year	20	1,309,301	2,987,696
Cash at bank and in hand	21	<u>9,215,130</u>	<u>4,860,611</u>
		23,103,638	19,877,170
Creditors: amounts falling due within one year	22	<u>(4,200,234)</u>	<u>(6,767,941)</u>
Net current assets		<u>18,903,404</u>	<u>13,109,229</u>
Total assets less current liabilities		33,597,958	34,195,701
Creditors: amounts falling due after more than one year	23	(2,481,668)	(10,397,153)
Provisions for liabilities			
Deferred tax	26	-	(286,103)
Net assets		<u>31,116,290</u>	<u>23,512,445</u>
Capital and reserves			
Called up share capital	27	7,877,902	7,226,837
Share premium account	28	32,010,161	26,158,571
Revaluation reserve	28	992,702	1,028,759
Capital redemption reserve	28	400	400
Profit and loss reserve		<u>(9,764,875)</u>	<u>(4,010,576)</u>
Equity attributable to owners of the parent company		31,116,290	30,403,991
Non-controlling interests		<u>-</u>	<u>(6,891,546)</u>
Shareholders' funds		<u>31,116,290</u>	<u>23,512,445</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 24 April, 2022.



A Carter
Director



R.A.B. Woodhouse
Director

The notes on pages 19 to 34 form part of these financial statements.

CHAPEL DOWN GROUP PLC
COMPANY REGISTERED NUMBER 04362181

COMPANY BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	2020 £
Fixed assets			
Intangible assets	16	49,130	-
Tangible assets	17	11,198,586	12,251,566
Investments	18	<u>50,000</u>	<u>50,000</u>
		11,297,716	12,301,566
Current assets			
Debtors due after more than 1 year	20	11,227,988	11,580,928
Debtors within one year	20	62,171	443,097
Cash at bank and in hand	21	<u>7,901,768</u>	<u>3,087,185</u>
		19,191,927	15,111,210
Creditors: amounts falling due within one year	22	<u>(411,426)</u>	<u>(1,517,064)</u>
Net current assets		18,780,501	13,594,146
Total assets less current liabilities		30,078,217	25,895,712
Creditors: amounts falling due after more than one year	23	(2,452,311)	(4,755,638)
Provisions for liabilities			
Deferred tax	26	-	(243,064)
Net assets		27,625,906	20,897,010
Capital and reserves			
Called up share capital	27	7,877,902	7,226,837
Share premium account	28	32,010,161	26,158,571
Revaluation reserve	28	901,541	931,845
Capital redemption reserve	28	400	400
Profit and loss account brought forward	28	(13,420,643)	(829,780)
Profit/(loss) for the year		226,241	(12,621,167)
Other changes in the profit and loss account		<u>30,304</u>	<u>30,304</u>
Profit and loss account carried forward		(13,164,098)	(13,420,643)
		27,625,906	20,897,010

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 24 April, 2022.



A Carter
Director



R.A.B. Woodhouse
Director

The notes on pages 19 to 34 form part of these financial statements.

CHAPEL DOWN GROUP PLC

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital	Share premium account	Capital redemption reserve	Revaluation reserve	Profit and loss account	Non- controlling interests	Total equity
	£	£	£	£	£	£	£
At 1 January 2021	7,226,837	26,158,571	400	1,028,759	(4,010,576)	(6,891,546)	23,512,445
Comprehensive income for the year	-	-	-	-	1,234,086	(156,460)	1,077,626
Loss for the year	-	-	-	-	1,234,086	(156,460)	1,077,626
Total comprehensive income for the year	-	-	-	-	1,234,086	(156,460)	1,077,626
Shares issued during the year	651,065	5,851,590	-	-	-	-	6,502,655
Transfer of excess depreciation charge relating to revaluation of tangible assets	-	-	-	(36,057)	36,057	-	-
Share based payment expense	-	-	-	-	23,564	-	23,564
Elimination of non-controlling interest on loss of control of subsidiary	-	-	-	-	(7,048,006)	7,048,006	-
At 31 December 2021	7,877,902	32,010,161	400	992,702	(9,764,875)	0	31,116,290

	Called up share capital	Share premium account	Capital redemption reserve	Revaluation reserve	Profit and loss account	Non- controlling interests	Total equity
	£	£	£	£	£	£	£
At 1 January 2020	7,211,129	26,105,728	400	1,067,390	(1,289,638)	(1,731,977)	31,363,032
Comprehensive income for the year	-	-	-	-	(2,800,003)	(5,159,569)	(7,959,572)
Loss for the year	-	-	-	-	(2,800,003)	(5,159,569)	(7,959,572)
Total comprehensive income for the year	-	-	-	-	(2,800,003)	(5,159,569)	(7,959,572)
Shares issued during the year	15,708	52,843	-	-	-	-	68,551
Transfer of excess depreciation charge relating to revaluation of tangible assets	-	-	-	(38,631)	38,631	-	-
Share based payment expense	-	-	-	-	40,434	-	40,434
At 31 December 2020	7,226,837	26,158,571	400	1,028,759	(4,010,576)	(6,891,546)	23,512,445

The notes on pages 19 to 34 form part of these financial statements.

CHAPEL DOWN GROUP PLC

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital £	Share premium account £	Capital redemption reserve £	Revaluation reserve £	Profit and loss account £	Total equity £
At 1 January 2021	7,226,837	26,158,571	400	931,845	(13,420,643)	20,897,010
Comprehensive income for the year	-	-	-	-	226,241	226,241
Loss for the year	-	-	-	-	226,241	226,241
Total comprehensive income for the year	-	-	-	-	226,241	226,241
Shares issued during the year	651,065	5,851,590	-	-	-	6,502,655
Transfer of excess depreciation charge relating to revaluation of tangible assets	-	-	-	(30,304)	30,304	-
At 31 December 2021	7,877,902	32,010,161	400	901,541	(13,164,098)	27,625,906

	Called up share capital £	Share premium account £	Capital redemption reserve £	Revaluation reserve £	Profit and loss account £	Total equity £
At 1 January 2020	7,211,129	26,105,728	400	962,149	(829,780)	33,449,626
Comprehensive income for the year	-	-	-	-	(12,621,167)	(12,621,167)
Loss for the year	-	-	-	-	(12,621,167)	(12,621,167)
Total comprehensive income for the year	-	-	-	-	(12,621,167)	(12,621,167)
Shares issued during the year	15,708	52,843	-	-	-	68,551
Transfer of excess depreciation charge relating to revaluation of tangible assets	-	-	-	(30,304)	30,304	-
At 31 December 2020	7,226,837	26,158,571	400	931,845	(13,420,643)	20,897,010

The notes on pages 19 to 34 form part of these financial statements.

CHAPEL DOWN GROUP PLC

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 £	2020 £
Cash flows from operating activities		
Profit / (Loss) for the financial year	1,077,626	(7,959,572)
Adjustments for:		
Amortisation of intangible assets	25,098	21,203
Impairments of intangible assets	-	91,044
Depreciation of tangible assets	650,708	1,273,201
Impairment of fixed assets	-	6,586,362
Loss on disposal of tangible assets	8,850	19,964
Accounting profit on elimination of subsidiary following loss of control	(55,348)	-
Share based payment	23,564	40,434
Interest paid	183,742	378,451
Interest received	(38)	(5,688)
Taxation charge	(287,485)	99,431
(Increase) in stocks	(865,817)	(1,309,502)
Decrease in debtors	1,376,476	380,691
Decrease in creditors	(761,379)	(539,046)
Corporation tax (paid)	63,252	-
Net cash generated from / (used in) operating activities	1,439,249	(923,027)
Cash flows from investing activities		
Purchase of intangible fixed assets	(46,950)	(35,350)
Purchase of tangible fixed assets	(1,056,976)	(1,355,644)
Cash eliminated on loss on control of subsidiary	(2,349)	-
Interest received	38	5,688
Net cash used in investing activities	(1,106,237)	(1,385,306)
Cash flows from financing activities		
Issue of ordinary shares	6,439,488	68,551
New secured loans	3,000,000	5,000,000
Repayment of loans	(5,234,239)	(261,693)
Interest paid	(183,742)	(111,371)
Net cash from financing activities	4,021,507	4,695,487
Net increase in cash and cash equivalents	4,354,519	2,387,154
Cash and cash equivalents at the beginning of the year	4,860,611	2,473,457
Cash and cash equivalents at the end of the year	9,215,130	4,860,611
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	9,215,130	4,860,611

CONSOLIDATED ANALYSIS OF NET DEBT

	At 1 January 2021	Cash Flows	Non-Cash Flows	At 31 December 2021
Cash at bank and in hand	4,860,611	4,354,519		9,215,130
Debt due within 1 year	(1,886,437)	1,506,060		(380,377)
Debt due more than 1 year	(10,384,790)	728,179	7,204,300	(2,452,311)
	<u>(7,410,616)</u>	<u>6,588,758</u>	<u>7,204,300</u>	<u>6,382,442</u>

The notes on pages 19 to 34 form part of these financial statements.

CHAPEL DOWN GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 management to exercise judgment in applying the company's accounting policies (see note 3).

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.

In the prior year financial statements, Curious Drinks Limited was accounted for as a subsidiary undertaking on the basis that Chapel Group Plc exercised dominant influence and control over the company. On 23 April 2021 Curious Drinks Limited was placed into administration. At this point Chapel Down Group Plc lost control of the company. As such, from 23 April 2021 Curious Drinks Limited has been deconsolidated from the group financial statements. Transactions included in the Consolidated Statement of Comprehensive Income pertaining to Curious Drinks Limited have been disclosed as a discontinued operation.

2.3 Going concern

Company law requires the directors to consider the appropriateness of the going concern basis when preparing the financial statements. Having considered the period to December 2023, the directors confirm that they consider that the going concern basis remains appropriate. COVID-19 has impacted the business; however the group has been able to maintain a healthy cash position through the successful £6.876m crowdfunding which closed July 2021 and the £15m financing facility provided by PNC Business Credit which includes a £3m term loan and £12m revolving credit facility.

The directors believe that the group has sufficient resources to continue in operational existence for the foreseeable future. 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.

Vine lease income is recognised when the leasee receives the wine yielded from the vines leased.

Revenue for direct sales is recognised at the point the customer receives goods.

CHAPEL DOWN GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

2 Accounting policies (continued)

2.5 Government grants

Grants relate to government support due to COVID-19 and are recognised in the statement of comprehensive income in the same period as the related expenditure.

2.6 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.

2.7 Tangible fixed assets

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

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

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

Depreciation is provided on the following basis:

Freehold 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.

2.8 Investment in subsidiaries

Investments in subsidiaries are measured at cost less accumulated impairment.

2.9 Stocks

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

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

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 (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

2 Accounting policies (continued)

2.10 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.*

2.11 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.

2.12 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 profit and loss account.

2.13 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.

2.14 Foreign currency translation Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

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

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

2.15 Finance costs

Finance costs are charged to profit or loss 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.

CHAPEL DOWN GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

2 Accounting policies (continued)

2.16 Share based payments

The group issues equity-settled share-based payments to certain employees of the company. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the 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.

2.17 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.

2.18 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 profit or loss 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.

2.19 Interest income

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

2.20 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.

2.21 Current and deferred taxation

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

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

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- 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.

CHAPEL DOWN GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

2.22 Current and deferred taxation (continued)

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.

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.

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

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

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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.

	2021	2020
	£	£
Analysis of turnover by country of destination:		
United Kingdom	16,814,870	15,488,680
Rest of Europe	0	16,669
Rest of the world	112,299	53,999
	<u>16,927,169</u>	<u>15,559,348</u>

5 Government grants

Government support due to Covid-19:

	2021	2020
	£	£
Business Interruption Grants	40,928	6,812
Job Retention Scheme Income	89,588	538,562
	<u>130,516</u>	<u>545,374</u>

Grants relate to government support due to COVID-19 and are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

6 Operating profit/loss

Operating profit/loss is stated after charging:

	2021	2020
	£	£
Depreciation of tangible fixed assets	650,708	1,279,201
Impairment of tangible fixed assets	-	6,586,362
Impairment of goodwill	-	72,444
Amortisation of intangible assets	25,098	39,803
Exchange differences	1,855	-
Land operating leases	149,235	81,959
Other operating leases	67,118	133,217

7 Auditor's remuneration

Fees payable to the group's auditor and in respect of:

	2021	2020
	£	£
Audit of the financial statements	41,500	38,195
Taxation compliance services	11,583	11,135
Other services relating to taxation	7,635	1,000
Other services	2,165	1,260
	<u>62,883</u>	<u>51,590</u>

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

8 Employees

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

	2021 £	2020 £
Wages and salaries	2,201,964	2,802,729
Social security costs	260,610	272,908
Cost of defined contribution scheme	56,103	65,879
	<u>2,518,677</u>	<u>3,141,516</u>

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

	2021 No.	2020 No.
Administration	21	26
Production	24	33
Retail	14	40
Directors	3	3
	<u>62</u>	<u>102</u>

Employment costs include share based payments of £23,564 (2020 - £40,434) relating to the effect of section 26 of FRS 102. This standard requires the directors to attribute a notional cost of non-cash share option agreements to the business over the vesting period of the shares.

9 Directors' remuneration

	2021 £	2020 £
Directors' emoluments	535,572	524,692
Company contributions to defined contribution pension schemes	10,003	3,105
	<u>545,575</u>	<u>527,797</u>

During the year retirement benefits were accruing to 3 directors (2020 - 2) in respect of defined contribution pension schemes. The highest paid serving director during the year received remuneration in the year of £175,217 (2020 - £144,931).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £nil (2020 - nil).

During the year directors (2020 - one) exercised Nil (2020 - 119,666) share options and the total exercise price paid to the company was £Nil (2020 £11,967). No directors were issued share options during the year (2020 - £nil).

10 Interest receivable

	2021 £	2020 £
Bank and other interest receivable	<u>38</u>	<u>5,688</u>

11 Interest payable and similar expenses

	2021 £	2020 £
Loan interest payable	<u>183,742</u>	<u>378,451</u>

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

12	Taxation	2021 £	2020 £
	Corporation tax		
	UK corporation tax charge on profit for year	-	-
	Adjustments in respect of prior years	-	(87,869)
	Total current tax	<u>-</u>	<u>(87,869)</u>
	Deferred tax		
	Origination and reversal of timing differences	(222,070)	346,775
	Adjustments in respect of prior periods	-	(155,746)
	Effect of change of tax rate on opening balance	(65,415)	(3,729)
	Total deferred tax	<u>(287,485)</u>	<u>187,300</u>
	Taxation on profit / (loss) on ordinary activities	<u>(287,485)</u>	<u>99,431</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2020 - higher than) the standard rate of corporation tax in the UK of 19.00% (2020 - 19.00%). The differences are explained below:

	2021 £	2020 £
Profit/(loss) on ordinary activities before tax	<u>790,141</u>	<u>(7,860,141)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2020 - 19.00%)	150,126	(1,493,425)
Effects of:		
Ineligible depreciation and amortisation	28,901	41,910
Expenses not deductible for tax purposes	60,559	1,270,173
Adjustments to tax charge in respect of prior years		(243,615)
Tax relief on exercise of share options	(10,788)	(32,252)
Deferred tax on share options previously not recognised	4,477	7,683
Deferred tax on losses not recognised	(520,760)	548,957
Total tax charge for the year	<u>(287,485)</u>	<u>99,431</u>

Factors that may affect future tax charges

English Wines Plc has £1,387,806 of tax losses to carry forward against future profit. A deferred tax asset of £346,952 has been recognised as the group believe the group will generate sufficient taxable profits in the foreseeable future to utilise these losses.

Chapel Down Group Plc has £1,309,374 of tax losses to carry forward against future profit. A deferred tax asset of £327,343 has been recognised as the group believe the group will generate sufficient taxable profits in the foreseeable future to utilise these losses.

13 Exceptional items

Exceptional costs of £100,208 were incurred in the year in respect of the disposal of Curious Drinks Limited. Restructuring costs of £287,416 were also incurred in the year.

14 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 profit after tax of the parent company for the year was £226,241 (2020 - loss of £12,621,167).

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

15 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.

	Profit after Tax 2021 £	Loss after Tax 2020 £	Weighted average number of shares 2021	Weighted average number of shares 2020	Profit per share 2021 pence	Loss per share 2020 pence
Basic earnings *	1,234,086	(2,800,003)	150,211,060	144,345,501	0.822	(1.940)
Effect of dilutive share options	-	-	4,955,661	-		
Diluted earnings **	<u>1,234,086</u>	<u>(2,800,003)</u>	<u>155,166,721</u>	<u>144,345,501</u>	<u>0.795</u>	<u>(1.940)</u>
Adjusted earnings per share						
	Profit after Tax 2021 £	Loss after Tax 2020 £	Weighted average number of shares 2021	Weighted average number of shares 2020	Profit per share 2021 pence	Loss per share 2020 pence
Basic earnings *	1,234,086	(2,800,003)	150,211,060	144,345,501	0.822	(1.940)
Add back share based payment	23,564	40,434				
Adjusted earnings	1,257,650	(2,759,569)	150,211,060	144,345,501	0.837	(1.912)
Effect of dilutive share options			4,955,661			
Diluted earnings**	<u>1,257,650</u>	<u>(2,759,569)</u>	<u>155,166,721</u>	<u>144,345,501</u>	<u>0.811</u>	<u>(1.912)</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 in 2020 as they decrease the loss per share. Therefore, the diluted loss per share is the same as the basic loss per share in 2020.

16 Intangible assets

Group and company	Website	Goodwill	Customer Relationship	Total	Company Customer Relationship
	£	£	£	£	£
Cost					
At 1 January, 2021	72,550	102,276	-	174,826	-
Additions	46,950	-	63,167	110,117	63,167
Disposals	(37,200)	-	-	(37,200)	-
Eliminated on loss of control of subsidiary	-	(102,276)	-	(102,276)	-
At 31 December, 2021	<u>82,300</u>	<u>-</u>	<u>63,167</u>	<u>145,467</u>	<u>63,167</u>
Amortisation					
At 1 January, 2021	40,735	102,276	-	143,011	-
Charge for the year	11,061	-	14,037	25,098	14,037
Disposals	(37,200)	-	-	(37,200)	-
Eliminated on loss of control of subsidiary	-	(102,276)	-	(102,276)	-
At 31 December, 2021	<u>14,596</u>	<u>-</u>	<u>14,037</u>	<u>28,633</u>	<u>14,037</u>
Net book value					
At 31 December, 2021	<u>67,704</u>	<u>-</u>	<u>49,130</u>	<u>116,834</u>	<u>49,130</u>
At 31 December, 2020	<u>31,815</u>	<u>-</u>	<u>-</u>	<u>31,815</u>	<u>-</u>

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

17 Tangible fixed assets Group

	Freehold land and buildings £	Short term leasehold properties £	Plant and machinery £	Motor Vehicles £
Cost or valuation				
At 1 January 2021	13,242,871	219,995	11,629,610	35,378
Additions	5,980	-	449,430	-
Disposals	(1,252,744)	-	-	-
Eliminated on loss of control of subsidiary	(6,766,045)	-	(6,804,395)	-
At 31 December 2021	5,230,062	219,995	5,274,645	35,378
Depreciation				
At 1 January 2021	6,328,224	92,532	4,841,003	25,186
Charge for the year	129,914	22,000	234,390	2,548
Disposals	(1,252,744)	-	-	-
Eliminated on loss of control of subsidiary	(3,694,707)	-	(3,113,643)	-
At 31 December 2021	1,510,687	114,532	1,961,750	27,734
Net book value				
At 31 December 2021	3,719,375	105,463	3,312,895	7,644
At 31 December 2020	6,914,647	127,463	6,788,607	10,192

	Fixtures, fittings and equipment £	Biological Assets - Vines £	Total £
Cost or valuation			
At 1 January 2021	1,061,820	7,471,941	33,661,615
Additions	16,188	585,378	1,056,976
Disposals	(87,704)	-	(1,340,448)
Eliminated on loss of control of subsidiary	(311,939)	-	(13,882,379)
At 31 December 2021	678,365	8,057,319	19,495,764
Depreciation			
At 1 January 2021	851,540	468,473	12,606,958
Charge for the year	38,784	223,072	650,708
Disposals	(78,854)	-	(1,331,598)
Eliminated on loss of control of subsidiary	(199,674)	-	(7,008,024)
At 31 December 2021	611,796	691,545	4,918,044
Net book value			
At 31 December 2021	66,569	7,365,774	14,577,720
At 31 December 2020	210,280	7,003,468	21,054,657

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

17 Tangible fixed assets (continued)

Company	Freehold land and buildings £	Short term leasehold properties £	Plant and machinery £	Fixtures, fittings and equipment £	Biological Assets £	Total £
Cost or valuation						
At 1 January 2021	6,224,340	219,995	839,791	78,854	7,471,941	14,834,921
Additions	5,980	-	-	-	585,376	591,356
Disposals	(1,252,744)	-	-	(78,854)	-	(1,331,598)
At 31 December 2021	4,977,576	219,995	839,791	-	8,057,317	14,094,679
Depreciation						
At 1 January 2021	1,180,738	92,532	762,759	78,854	468,473	2,583,356
Charge for the year	112,537	22,000	33,982	-	223,072	391,591
Disposals	-	-	-	(78,854)	-	(78,854)
At 31 December 2021	1,293,275	114,532	796,741	-	691,545	2,896,093
Net book value						
At 31 December 2021	3,684,301	105,463	43,050	-	7,365,772	11,198,586
At 31 December 2020	5,043,602	127,464	77,032	-	7,003,468	12,251,566

18 Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2021	2,402,255
At 31 December 2021	2,402,255
Impairment	
At 1 January 2021	2,352,255
At 31 December 2021	2,352,255
Net book value	
At 31 December 2021	50,000
At 31 December 2020	50,000

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%

In the prior year financial statements, Curious Drinks Limited was accounted for as a subsidiary undertaking on the basis that Chapel Group Plc exercised dominant influence and control over the company. On 23 April 2021 Curious Drinks Limited was placed into administration. At this point Chapel Down Group Plc lost control of the company. As such, from 23 April 2021 Curious Drinks Limited has been deconsolidated from the group financial statements. The investment in Curious Drinks Limited has been fully impaired.

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

19	Stocks	Group 2021 £	Group 2020 £
	Raw materials and consumables	118,474	243,357
	Work in progress	11,387,800	10,091,783
	Finished goods and goods for resale	1,072,933	1,693,723
		<u>12,579,207</u>	<u>12,028,863</u>

20	Debtors	Group 2021 £	2020 £	Company 2021 £	2020 £
	Due after more than one year				
	Amounts owed by group undertakings	-	-	11,227,988	11,580,928

Included within amounts owed by group undertakings is a loan of £11,227,988 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 2023.

	Group 2021 £	2020 £	Company 2021 £	2020 £
Due within one year				
Trade debtors	1,090,077	2,252,402	-	-
Other debtors	47,211	462,244	45,881	380,381
Prepayments and accrued income	120,071	60,089	-	-
Taxation and social security costs	-	99,148	-	-
Deferred Taxation	1,380	-	16,290	-
Corporation tax receivable	50,562	113,813	-	62,716
	<u>1,309,301</u>	<u>2,987,696</u>	<u>62,171</u>	<u>443,097</u>

21	Cash and cash equivalents	Group 2021 £	2020 £	Company 2021 £	2020 £
	Cash at bank and in hand	9,215,130	4,860,611	7,901,768	3,087,185

22	Creditors: Amounts falling due after less than one year	Group 2021 £	2020 £	Company 2021 £	2020 £
	Bank loans	380,377	1,886,437	380,377	-
	Trade creditors	1,723,647	1,850,739	-	-
	Corporation tax	-	-	535	-
	Other taxation and social security	574,239	1,316,272	-	-
	Other creditors	1,367,862	1,477,030	12,936	1,501,950
	Accruals and deferred income	154,109	237,463	17,578	15,114
		<u>4,200,234</u>	<u>6,767,941</u>	<u>411,426</u>	<u>1,517,064</u>

23	Creditors: Amounts falling due after more than one year	Group 2021 £	2020 £	Company 2021 £	2020 £
	Bank Loans	2,452,311	10,384,790	2,452,311	4,755,638
	Accruals and deferred income	29,357	12,363	-	-
		<u>2,481,668</u>	<u>10,397,153</u>	<u>2,452,311</u>	<u>4,755,638</u>

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

24	Loans	Group 2021 £	Group 2020 £
	Amounts falling due within one year		
	Bank loans	380,377	1,886,437
	Amounts falling due 1-2 years		
	Bank loans	300,940	1,095,964
	Amounts falling due 2-5 years		
	Bank loans	2,151,371	9,288,826
		<u>2,832,688</u>	<u>12,271,227</u>

In 2021 loan facilities with HSBC were replaced with a £15million financing facility provided by PNC Business Credit which includes a £3million term loan and a £12million revolving credit facility. In June 2021 the £3million term loan was drawdown. The term loan is repayable in monthly installments followed by a bullet repayment of £2,125,000 in May 2025. No amounts have been drawdown on the revolving credit facility.

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.

On 23 April 2021 Curious Drinks Limited was placed into administration and deconsolidated from the group accounts (see note 18). At this point a loan of £7,204,300 due to HSBC from Curious Drinks Limited was removed from the group accounts.

25 Financial Instruments

	Group		Company	
	2021 £	2020 £	2021 £	2020 £
Financial assets				
Financial assets that are debt instruments measured at amortised cost	<u>10,352,419</u>	<u>7,575,257</u>	<u>19,175,637</u>	<u>15,048,494</u>
Financial liabilities				
Financial liabilities measured at amortised cost	<u>(5,979,321)</u>	<u>(15,690,294)</u>	<u>(2,863,201)</u>	<u>(6,272,702)</u>

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.

26 Deferred taxation

Group	2021 £
At beginning of year	(286,105)
Charged to profit or loss	<u>287,485</u>
At end of year	<u>1,380</u>
Company	2021 £
At beginning of year	(243,064)
Charged to profit or loss	<u>259,354</u>
At end of year	<u>16,290</u>

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

26 Deferred taxation continued

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Accelerated capital allowances	(849,609)	(544,125)	(311,054)	(243,064)
Short term timing differences	22,477	22,687	-	-
Share options	154,216	117,204	-	-
Tax losses carried forward	674,296	118,130	327,344	-
	<u>1,380</u>	<u>(286,104)</u>	<u>16,290</u>	<u>(243,064)</u>

27 Share capital

	2021	2020
	£	£
Allotted, called up and fully paid		
157,521,804 (2020 - 144,500,501) Ordinary shares of £0.050000 each	7,876,090	7,225,025
14,322,158 (2020 - 14,322,158) A1 shares of £0.000100 each	1,432	1,432
3,800,000 (2020 - 3,800,000) A2 shares of £0.000100 each	380	380
	<u>7,877,902</u>	<u>7,226,837</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 121,500 ordinary share options were exercised by an employee of the group at 17p per share, contributing 12p per share to the share premium.

During the year 75,000 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 5,500 ordinary share options were exercised by an employee of the group at 60p per share, contributing 55p per share to share premium.

During the year Chapel Down Group Plc offered all registered Curious Drink Limited shareholders the opportunity to convert their shares in Curious Drinks Limited into shares in Chapel Down Group Plc. This conversion was at a rate of 1.57 Chapel Down Group Plc shares for each Curious Drinks Limited share held. Forms of acceptance were received for 1,263,331 shares in Chapel Down Group Plc. 1,263,331 ordinary shares were issued at 5p per share.

Following a successful crowdfunding during the year 11,555,972 ordinary shares were issued at 59.5p per share, contributing 54.5p per share to share premium.

At the year end there were 8,363,617 (2020 - 9,160,117) ordinary share options outstanding, see note 29 share based payments for valuations.

28 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.

CHAPEL DOWN GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

29 Share based payments

	2006 Variable price	2006 Fixed price	2009 Fixed price	2013 Fixed price	2016 Fixed price
Number of share options	3,000,000	3,239,997	3,000,000	11,000,000	430,000
Vesting period (years)	4.4	3.7	4.4	4.6	4
Outstanding at start of year	1,000,000	314,263	1,022,134	4,479,388	215,000
Weighted average exercise price at the start of the year	12.5p	15p	10p	17p	33p
Exercised	-	-	-	(121,500)	(75,000)
Granted	-	-	-	-	-
Forfeited	-	-	-	-	-
Outstanding at year end	1,000,000	314,263	1,022,134	4,357,888	140,000
Weighted average exercise price at the end of the year	12.5p	15p	10p	17p	33p
	2017 Fixed price	2018 Fixed price	2019 Fixed price	2020 Fixed price	
Number of share options	200,000	840,000	668,942	713,332	
Vesting period (years)	3	3	3	4	
Outstanding at start of year	200,000	866,000	400,000	663,332	
Weighted average exercise price at the start of the year	81p	84p	87p	76.5p	
Exercised	-	-	-	-	
Granted	-	-	-	-	
Forfeited	-	-	-	-	
Outstanding at year end	200,000	866,000	400,000	663,332	
Weighted average exercise price at the end of the year	81p	86.4p	87p	77.2p	

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

Between 2003 and 2020 23,092,271 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 84p), exercise price (9p to 88.5p), expected volatility (2% to 35%), vesting period (2 to 4.6 years) and a risk free rate (0.5% to 5.5%). No dividends were expected.

There were no options granted in 2021.

The current year expense resulting from the share options is £23,564 (2020 - £40,434).

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.

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

30 Guarantees and other commitments

At 31 December 2021 there was a guarantee in place in favour of Her Majesty's Revenue and Customs for £270,000 (2020 - £270,000).

31 Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £56,103 (2020 - £65,879). Contributions totaling £1,230 (2020 - £412) were payable to the fund at the balance sheet date and are included in creditors.

32 Commitments under operating leases

At 31 December 2021 the Group and the company had future minimum lease payments under non- cancellable operating leases as follows:

	Group		Group	
	2021		2020	
	£		£	
Other				
Not later than 1 year			44,546	87,076
Later than 1 year and not later than 5 years			17,601	43,110
			<u>62,147</u>	<u>130,186</u>

	Group		Company	
	2021		2021	
	£		£	
Land and buildings				
Not later than 1 year	491,397	528,215	325,803	483,115
Later than 1 year and not later than 5 years	1,674,124	1,900,077	1,312,457	1,839,944
Later than 5 years	4,966,974	5,106,279	4,966,974	5,106,279
	<u>7,132,495</u>	<u>7,534,571</u>	<u>6,605,234</u>	<u>7,429,338</u>

33 Capital commitments

At 31 December 2021 the group had capital commitments totalling £1,109,862 (2020 - £nil).

34 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 £Nil (2020 - £212,753) and rent of £Nil (2020 - £120,000). The company also paid costs on behalf of Curious Drinks Limited totalling £285,648 (2020 - £927,171). At 31 December 2021 £10,282,991 (2020 - £9,799,918) was owed to the company by Curious Drinks Limited. As at 31 December 2021 and 31 December 2020 a full provision of £10,282,991 (2020 - £9,799,918) was made against the balance owed from Curious Drinks Ltd.

Fees of £169,567 (2020 - £146,359) and expenses of £855 (2020 - £900) were payable to related parties in respect of investment monitoring, consultancy fees and non-executive director services. At the year-end a balance of £Nil (2020 - £16,813) was outstanding.

The directors are considered to be the key management of the business. Their remuneration for the year is disclosed in note 9 of these financial statements.

35 Controlling Party

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