

Company Registration No. 04362181 (England and Wales)

**CHAPEL DOWN GROUP PLC**

**ANNUAL REPORT**

**FOR THE YEAR ENDED  
31 DECEMBER 2015**

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# CHAPEL DOWN GROUP PLC

## DIRECTORS AND ADVISERS

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### Directors

P.Brett  
J.D. Brooke  
J.M. Dunsmore  
F.D. Thompson  
R.A.B. Woodhouse  
N.W. Wray  
Mark Harvey

### Secretary

R.A.B. Woodhouse

### Company number

04362181

### Registered office

Chapel Down Winery, Small Hythe Road  
Tenterden  
Kent  
TN30 7NG

### Registered auditor

Crowe Clark Whitehill LLP  
Chartered Accountants & Statutory Auditor  
4 Mount Ephraim Road  
Tunbridge Wells  
Kent  
TN1 1EE

### Bankers

Barclays Bank Plc  
Kent Team  
2nd Floor, 30 Tower View  
Kings Hill  
West Malling  
Kent  
ME19 4UY

### Registrars

Capita Registrars  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU

### Financial advisers

Finn Cap  
60 New Broad Street  
London  
EC2M 1JJ

### Solicitors

Cripps LLP  
Wallside House  
12 Mount Ephraim Road  
Tunbridge Wells  
Kent  
TN1 1EG

# **CHAPEL DOWN GROUP PLC**

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# CHAPEL DOWN GROUP PLC

## STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

### Summary

I am delighted once again to announce a good set of results for Chapel Down Group plc.

#### Highlights include:-

- 34% sales growth to £8.18m (2014: £6.11m)
- 36% growth in gross profits to £3.02m (2014: £2.22m)
- £507k\* adjusted EBITDA - a 6% increase (2014: £478k\*)
- One of 1000 companies to inspire Britain from the London Stock Exchange
- Gold medals for our wines in three prestigious global competitions.
- A successful crowdfund to build our new brewery in Ashford, raising £1.71m

2015 was another good year for the Group. We continue to drive our top line without sacrificing margins and we are building strong brands. In our wine business, we enjoyed our second best ever harvest and invested £1.32m in planting 90 acres of new vineyards and in the purchase of further equipment to enhance our viticulture and winemaking. We are growing our supply whilst also investing in marketing, systems and people to stimulate sustainable, long term demand. In recognition of the quality of our wines, we won gold medals in three prestigious global competitions - The International Wine Challenge 2015, The Decanter World Wine Awards 2015 and the Sommelier World Wine Awards 2015.

In our beer business, Curious Drinks, we made the decision to raise further funds for its development via a crowdfunding. We were once again delighted by the response raising £1.71m that will be used to build a new brewery site and further develop our brand.

We have continued to invest not only in our equipment, brands and land but also in our people. With the appointment of Mark Harvey as Managing Director of Wines, Frazer Thompson, as CEO, now leads a team of experienced and talented people which makes me ever more confident of an exciting and rewarding future for the Group.

### Performance review

We continue to drive our top line, maintain our margins and invest the proceeds into building our brands and business for the long term.

The Group made good progress, with year on year sales up 34%, gross profits up 36% and healthy margins maintained at 36.9% (2014:36.2%).

The Director's primary measure of operating performance is adjusted EBITDA and at 31 December 2015 adjusted EBITDA is up 6% at £507,249\* (2014: £478,517\*) and an adjusted pre-tax profit of £141,405\* (2014: £132,736)\*. Overall wine sales were up 27% as the stock from the 2013 and 2014 harvests became available for sale and beer sales were up 50%.

### **Business risks and uncertainties**

The uncertainty surrounding the EU referendum has had no real impact on our business to date. We would be affected, like all agriculturally based businesses if we were not able to access EU workers for our viticulture and the expertise in winemaking available in Europe. However, maintaining and developing a strong brand with high quality people is our best defence and we will continue to invest to ensure we are well placed.

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

Competition continues to grow in our markets of English wines and craft beers, and we continue to invest in our people, brands and distribution to ensure that the business can thrive.

## CHAPEL DOWN GROUP PLC

### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

#### OUTLOOK

##### Outlook

We have a talented management team now further enhanced with the addition of Mark Harvey in wine and Stewart Gilliland and Rachel Montague-Ebbs as Chairman and Non-Executive Director of Curious Drinks respectively.

We have excellent fast growing brands in two very exciting markets and a strong balance sheet. We have blue chip customers, good export potential and enthusiastic and thirsty consumers. We have more stock of our wines available and more customers wanting our beer and cider.

With the construction of our new brewery on a highly visible site in Ashford, the development of our site in Tenterden and the continuing shift in demand towards high quality drinks made with passion and care, we remain confident that the prospects for the Group are excellent.



John Dunsmore  
Chairman

22nd April 2016

\*Excludes the effect of the FRS 102 Section 26 share option accounting adjustment of £420k (2014: £173k) which is a non-cash item. Refer to note 20 of the accounts for further information.

## CHAPEL DOWN GROUP PLC

### CHIEF EXECUTIVE'S COMMENTARY FOR THE YEAR ENDED 31 DECEMBER 2015

Chapel Down has enjoyed another excellent year of growth. In a highly competitive trading environment the Group has continued to invest in the value of its brands, its vineyards and winery and its people as we build a healthy, sustainable and innovative drinks group with an exciting future both at home in the UK and in sophisticated drinks markets abroad. With sales growth of 34% in the Group - sales up 27% on wine and up 50% on beer and cider - we are investing the proceeds to build the business whilst delivering growth in adjusted EBITDA at £507k\* (2014: £478k\*).

We continue to invest as we operate in two very exciting markets.

English wines, which are now being internationally recognised for their consistent excellence has been the bedrock of our business. Demand is continuing to rise and we are developing a very strong brand to ensure we continue to maximise the potential that is being created through the consumer and trade excitement in cool climate wines. We have also built a long term supply of world class fruit to our modern and efficient winery to ensure that the quality and value we can deliver to the market will be second to none. We planted a further 90 acres of new vineyards in 2015 and we now own and/or manage some 193 acres of vined land and continue to have long term contracts with our high quality group of contracted growers.

"Craft" beers are growing very fast driven by more flavoursome beers that are the antidote to bland international brands that have become overly dominant. There is a vibrancy and excitement to the UK beer market, fuelled by spectacular success in the USA which is spreading internationally. With sales growth of 50% this year, Curious beers are extremely well positioned to benefit from the boom. We have a unique and distinctive proposition rather than just a cool design, amusing name or extreme flavour. In order to make the most of the opportunity, the Group decided to raise further funds to allow the development of an exciting new brewery in the centre of Ashford on a highly visible freehold site adjacent to the international railway station. Once again, we have exceeded our own high expectations via crowdfunding, raising £1.71m and we will be building during 2016 and 2017 to further develop our UK and International business and the brand.

Whilst we have continued to win awards and plaudits for our wines and beers, we have also developed our tourism and hospitality experience at the Tenterden site and whilst we will be extending that expertise to our new brewery, we will be developing the facilities further at Tenterden too.

Our people are the vital difference. In an industry that requires professionalism and customer centric thinking, we remain meticulous about who we hire and how we train.

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

In the winery, the fruit is made into the best possible wine through the expertise of a young winemaking team who use the latest technology and equipment. In a highly competitive market, both vineyard and winery teams are constantly challenged to surprise and delight, and that spirit is reflected in the innovative new wines and products that we have created to ensure we remain at the forefront of consumers' minds. The first ever English "Orange" wine, the first ever English Albarinho, a best in class Blanc de Noir sparkling wine... All of these are terrific achievements for a small team. However, it's the consistently improving Brut Reserve and Flint Dry, the distinctive and unique Bacchus and the reliable excellence of our other wines, beers and cider that drive us on as new consumers come to the brand every day.

They find us thanks to the constant stream of good news about the company and its brands generated by the industry, enthusiasm, energy and creativity of our commercial team. This is reflected in the feedback we receive from them as they continue to have such positive experiences with the brand - whether that's in our shop, on the phone, in our restaurant or at an event. I would like to thank them for their continuing support and loyalty.

Finally, we are delighted to have such a supportive and enthusiastic group of shareholders. The energy and excitement that is created by our growing band of shareholders is something the whole team appreciate. I hope you continue to enjoy your investment.

Frazer Thompson  
CEO

\*Excludes the effect of the FRS 102 Section 26 share option accounting adjustment of £420k (2014: £173k) which is a non-cash item. Refer to note 20 of the accounts for further information.

# **CHAPEL DOWN GROUP PLC**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015**

The directors present their report and financial statements for the year ended 31 December 2015.

### **Directors**

The following directors have held office since 1 January 2015 unless otherwise stated:

P. Brett  
J.D. Brooke  
J.M. Dunsmore  
F.D. Thompson  
R.A.B. Woodhouse  
N.W. Wray  
Mark Harvey                      Appointed 1st April 2016

### **Principal activities and review of the business**

The principal activity of the Group continues to be that of producing and selling wine and beer. A review of the business, which includes a review of the key performance indicators of the Group appears in the Strategic Report on pages 4 and 5. The directors primary measure of operating performance is adjusted EBITDA.

### **Results and dividends**

The consolidated profit and loss account for the year is set out on page 11.

The directors do not recommend payment of an ordinary dividend.

### **Future Developments**

The future developments of the Group are discussed in the outlook section of the Strategic Report.

### **Going Concern**

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

### **Auditor**

In accordance with section 489 of the Companies Act 2006, a resolution proposing that Crowe Clark Whitehill LLP be reappointed as auditor of the Company will be put to the Annual General Meeting.

## CHAPEL DOWN GROUP PLC

### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

#### Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and other information included in the Annual Report and 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 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 and then apply them consistently;
- make judgements and 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 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.

The maintenance and integrity of the Chapel Down Group Plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred in the accounts since they were initially presented on the website.

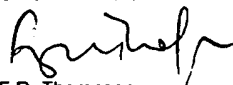
Legislation in the United Kingdom governing the preparation and dissemination of the accounts and the other information included in annual reports may differ from legislation in other jurisdictions.

#### Provision of information to auditor

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

- so far as that director is aware, there is no relevant audit information of which the Company and Group's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company and Group's auditor in connection with preparing his report and to establish that the Company and Group's auditor is aware of that information.

On behalf of the board



F.D. Thompson  
Director  
22nd April 2016



## **CHAPEL DOWN GROUP PLC**

### **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CHAPEL DOWN GROUP PLC FOR THE YEAR ENDED 31 DECEMBER 2015**

We have audited the Group and Parent Company financial statements of Chapel Down Group PLC for the year ended 31 December 2015, set out on pages 11 to 36. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

#### **Respective responsibilities of directors and auditor**

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our audit.

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2015 and of the Group's losses 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.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

## CHAPEL DOWN GROUP PLC

### INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CHAPEL DOWN GROUP PLC (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

#### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.

*Crowe Clark Whitehill LLP.*

Mark Anderson (Senior Statutory Auditor)

Crowe Clark Whitehill LLP  
Statutory Auditor

4 Mount Ephraim Road  
Tunbridge Wells  
Kent  
TN1 1EE

22nd April 2016

# CHAPEL DOWN GROUP PLC

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £	2014 £
Turnover	2	8,178,978	6,110,351
Cost of sales		<u>(5,161,552)</u>	<u>(3,894,918)</u>
Gross profit		3,017,426	2,215,433
Administrative expenses before share based payment	(2,894,217)	(2,126,000)	
Share based payment	<u>(420,286)</u>	<u>(172,704)</u>	
Administrative expenses after share based payment		<u>(3,314,503)</u>	<u>(2,298,704)</u>
Operating (loss)	4	(297,077)	(83,271)
Other interest receivable and similar income		18,196	83,082
Interest payable and similar charges	5	<u>-</u>	<u>(39,779)</u>
Loss on ordinary activities before taxation		(278,881)	(39,968)
Tax on loss on ordinary activities	6	<u>(55,676)</u>	<u>20,575</u>
Loss on ordinary activities after taxation		<u>(334,557)</u>	<u>(19,393)</u>
Retained loss for the year		<u>(334,557)</u>	<u>(19,393)</u>
<b>Adjusted performance measures</b>			
<b>Adjusted Pre-tax profit</b>			
Loss on ordinary activities before taxation		(278,881)	(39,968)
Share based payment		<u>420,286</u>	<u>172,704</u>
Profit on ordinary activities before taxation - excluding share based payment		<u>141,405</u>	<u>132,736</u>
<b>Adjusted EBITDA</b>			
Operating loss		(297,077)	(83,271)
Share based payment		420,286	172,704
Depreciation		337,819	287,025
Amortisation		<u>46,221</u>	<u>102,059</u>
EBITDA excluding share based payment		<u>507,249</u>	<u>478,517</u>
Earnings per share (pence)	8		
- basic		(0.33)	(0.02)
- diluted		(0.33)	(0.02)
Note			
Earnings per share excluding share based payment		0.08	0.17

# CHAPEL DOWN GROUP PLC

## CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 £	2014 £
Loss for the financial year	(334,557)	(19,393)
Deferred tax movement relating to revaluation of tangible assets	18,892	21,989
Deferred tax movement relating to share options	(1,711)	-
Total comprehensive income for the financial year	<u>(317,376)</u>	<u>2,596</u>

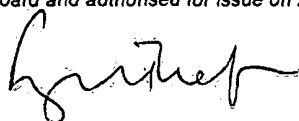
**CHAPEL DOWN GROUP PLC**  
**COMPANY REGISTRATION NO. 04362181 (ENGLAND AND WALES)**

**BALANCE SHEETS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

	Notes	Group		Company	
		2015	2014	2015	2014
		£	£	£	£
<b>Fixed assets</b>					
Intangible assets	9	369,763	415,984	-	-
Tangible assets	10	6,833,605	5,603,782	5,236,965	4,207,790
Investments	11	-	-	615,082	615,082
		<u>7,203,368</u>	<u>6,019,766</u>	<u>5,852,047</u>	<u>4,822,872</u>
<b>Current assets</b>					
Stocks	12	4,974,885	4,306,826	-	-
Debtors	13	2,341,218	1,308,904	275,998	14,350
Debtors more than 1 yr	13	-	-	5,590,992	4,700,126
Cash at bank and in hand		<u>3,062,023</u>	<u>5,210,188</u>	<u>2,643,398</u>	<u>4,702,175</u>
		<u>10,378,126</u>	<u>10,825,918</u>	<u>8,510,388</u>	<u>9,416,651</u>
<b>Creditors: amounts falling due within one year</b>	14	(2,306,678)	(1,713,863)	(7,785)	(7,369)
<b>Net current assets</b>		<u>8,071,448</u>	<u>9,112,055</u>	<u>8,502,603</u>	<u>9,409,282</u>
<b>Total assets less current liabilities</b>		<u>15,274,816</u>	<u>15,131,821</u>	<u>14,354,650</u>	<u>14,232,154</u>
<b>Creditors: amounts falling due after more than one year</b>	15	(31,839)	(33,255)	-	-
<b>Provisions for liabilities</b>					
Deferred tax	16	(274,484)	(235,990)	(206,161)	(193,852)
		<u>14,968,493</u>	<u>14,862,576</u>	<u>14,148,489</u>	<u>14,038,302</u>
<b>Capital and reserves</b>					
Called up share capital	17	5,051,510	5,048,503	5,051,510	5,048,503
Share premium account		8,554,912	8,554,912	8,554,912	8,554,912
Revaluation reserve		1,073,650	1,093,389	935,101	946,513
Profit and loss reserve		<u>288,421</u>	<u>165,772</u>	<u>(393,034)</u>	<u>(511,626)</u>
<b>Shareholders' funds</b>		<u>14,968,493</u>	<u>14,862,576</u>	<u>14,148,489</u>	<u>14,038,302</u>

Approved by the Board and authorised for issue on 22 April 2016

F.D. Thompson  
Director



R.A.B. Woodhouse  
Director



# CHAPEL DOWN GROUP PLC

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

	2015	2014
	£	£
<b>Cash flows from operating activities</b>		
Loss for the financial year	(334,557)	(19,393)
<b>Adjustments for:</b>		
Depreciation of tangible assets	337,818	287,025
Amortisation of intangible assets	46,221	102,059
Loss on disposal of assets	660	-
Share-based payments	420,286	172,704
Interest received	(18,196)	(83,082)
Interest paid	-	39,779
Taxation	55,676	(20,575)
Decrease/ (Increase) in stocks	(668,059)	(915,235)
Decrease/ (Increase) in trade and other debtors	(1,032,314)	(235,898)
Increase/ (decrease) in trade creditors	591,398	414,735
	<u>(601,067)</u>	<u>(257,881)</u>
Income taxes paid	-	-
<b>Net cash generated from operating activities</b>	<u>(601,067)</u>	<u>(257,881)</u>
<b>Cash flows from investing activities</b>		
Payments to acquire tangible assets	(1,568,301)	(574,885)
Interest received	18,196	83,082
<b>Net cash from investing activities</b>	<u>(1,550,105)</u>	<u>(491,803)</u>
<b>Cash flows from financing activities</b>		
Issue of ordinary share capital	3,007	3,710,978
Repayment of bank loans	-	(1,789,061)
Interest paid	-	(39,779)
<b>Net cash used in financing activities</b>	<u>3,007</u>	<u>1,882,138</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<u>(2,148,165)</u>	<u>1,132,454</u>
<b>Cash and cash equivalents at the beginning of the year</b>	5,210,188	4,077,734
<b>Cash and cash equivalents at the end of the year</b>	<u>3,062,023</u>	<u>5,210,188</u>

# CHAPEL DOWN GROUP PLC

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015 Group

	Called up share capital	Share premium account	Revaluation reserve	Profit and loss account	Total
	£	£	£	£	£
<b>Balance at 1 January 2014</b>	4,299,464	5,592,973	1,110,031	(26,170)	<b>10,976,298</b>
Profit for the year	-	-	-	(19,393)	(19,393)
Other comprehensive income for the year*	-	-	(16,642)	38,631	21,989
<b>Total comprehensive income for the year</b>	-	-	<b>(16,642)</b>	<b>19,238</b>	<b>2,596</b>
Issue of shares	749,039	2,961,939	-	-	<b>3,710,978</b>
Share based payment expense	-	-	-	172,704	<b>172,704</b>
<b>At 31 December 2014</b>	<b>5,048,503</b>	<b>8,554,912</b>	<b>1,093,389</b>	<b>165,772</b>	<b>14,862,576</b>
Profit for the year	-	-	-	(334,557)	(334,557)
Other comprehensive income for the year *	-	-	(19,739)	36,920	17,181
<b>Total comprehensive income for the year</b>	-	-	<b>(19,739)</b>	<b>(297,637)</b>	<b>(317,376)</b>
Issue of shares	3,007	-	-	-	<b>3,007</b>
Share based payment expense	-	-	-	420,286	<b>420,286</b>
<b>Balance at 31 December 2015</b>	<b>5,051,510</b>	<b>8,554,912</b>	<b>1,073,650</b>	<b>288,421</b>	<b>14,968,493</b>

* Other comprehensive income	<b>2015</b>	<b>2014</b>
	£	£
Deferred tax movement relating to revaluation of tangible assets	18,892	21,989
Deferred tax movement relating to share options	(1,711)	-
<b>Other comprehensive income</b>	<b>17,181</b>	<b>21,989</b>

# CHAPEL DOWN GROUP PLC

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015 Company

	Called up share capital	Share premium account	Revaluation reserve	Profit and loss account	Total
	£	£	£	£	£
<b>Balance at 1 January 2014</b>	4,299,464	5,592,973	954,828	(584,712)	10,262,553
Profit for the year	-	-	-	42,782	42,782
Other comprehensive income for the year *	-	-	(8,315)	30,304	21,989
<b>Total comprehensive income for the year</b>			<b>(8,315)</b>	<b>73,086</b>	<b>64,771</b>
Issue of shares	749,039	2,961,939	-	-	3,710,978
<b>At 31 December 2014</b>	<b>5,048,503</b>	<b>8,554,912</b>	<b>946,513</b>	<b>(511,626)</b>	<b>14,038,302</b>
Profit for the year	-	-	-	88,288	88,288
Other comprehensive income for the year *	-	-	(11,412)	30,304	18,892
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(11,412)</b>	<b>118,592</b>	<b>107,180</b>
Issue of shares	3,007	-	-	-	3,007
<b>Balance at 31 December 2015</b>	<b>5,051,510</b>	<b>8,554,912</b>	<b>935,101</b>	<b>(393,034)</b>	<b>14,148,489</b>

* Other comprehensive income	<b>2015</b>	<b>2014</b>
	£	£
Deferred tax movement relating to revaluation of tangible assets	18,892	21,989
<b>Other comprehensive income</b>	<b>18,892</b>	<b>21,989</b>



# CHAPEL DOWN GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 1 Accounting policies

#### 1.1 Company Information

The company is a public limited company, which is incorporated and registered in England and Wales (04362181). The address of the registered office is Chapel Down Winery, Small Hythe Road, Tenterden, Kent, TN30 7NG.

#### 1.2 Accounting convention

The financial statements have been prepared on the historical cost basis.

#### 1.3 Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102, and with the Companies Act 2006.

This is the first year in which the financial statements have been prepared under FRS 102. Refer to note 24 for an explanation of the transition.

The financial statements are presented in Sterling (£).

#### 1.4 Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2015. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation. No profit and loss account is presented for Chapel Down Group PLC as permitted by section 408 of the Companies Act 2006. The result of the Parent Company is disclosed in note 6. No cash flow has been presented for Chapel Down Group Plc as permitted by FRS 102 section 1.11ci.

#### 1.5 Going Concern

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

#### 1.6 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.

#### 1.7 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

#### 1.8 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as

Freehold land and buildings

Straight line over 50 years on the buildings and 20 years on Kits Coty Vineyard

Plant and machinery

Between 5% - 20% straight line

Biological Assets

Over 20 years

Fixtures, fittings and equipment

15% reducing balance

Office equipment

20% straight line

Computer equipment

Straight line over 3 years

Motor vehicles

25% reducing balance

# CHAPEL DOWN GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

### 1 Accounting policies (continued)

#### 1.8 Tangible fixed assets and depreciation (continued)

Biological assets are a new class of tangible asset added to Chapel Down Group Plc accounts in accordance with FRS102, section 34. The group owns biological assets in the form of grape vines which are cultivated on land owned 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 useful economic life as the biological assets.

The Biological assets 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 planting of the vines in year 1. The method used to depreciate these assets takes into account that the 3rd and 4th year of bringing a biological asset to maturity will offer a 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 of the annual depreciation rate and from year 5 the asset is depreciated by the full annual rate for the remaining 19 years.

#### 1.9 Investments

Investments in subsidiaries are stated at cost less provision for permanent diminution in value.

#### 1.10 Stock and work in progress

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 the wine stock. The directors consider that this method is most appropriate for the nature of the Group's activities.

#### 1.11 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

#### 1.12 Operating Leases

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

#### 1.13 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

#### 1.14 Share options

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

# CHAPEL DOWN GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

### 1 Accounting policies (continued)

#### 1.14 Share options (continued)

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

#### 1.15 Segmental reporting

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

#### 1.16 Financial Instruments

##### 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.

##### 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.

##### 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.

#### 1.17 Critical accounting estimates and judgements

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 key judgments and sources of estimation uncertainty include useful economic lives of intangible and tangible fixed assets. For reference to how these figures are derived please see notes 1.7 and 1.8.

# CHAPEL DOWN GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

### 2 Turnover

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

#### Segmental analysis by geographical area

The analysis by geographical area of the Group's turnover is set out as below:

	2015 £	2014 £
<b>Geographical segment</b>		
UK	8,122,888	6,071,208
Other EU	849	8,762
Non EU	55,241	30,381
	<u>8,178,978</u>	<u>6,110,351</u>

### 3 Segmental Reporting

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

As the Group's sole business activity is the production and sale of alcoholic beverages, management have not had occasion to define any factors to identify reportable segments.

### 4 Operating loss

	2015 £	2014 £
Operating loss is stated after charging:		
Amortisation of intangible assets	46,221	102,059
Depreciation of tangible assets	337,818	287,025
Loss on foreign exchange transactions	7,591	1,598
Operating lease rentals		
- Land and buildings	79,209	24,000
- Other	66,869	49,657
Fees payable to the Company's auditor for the audit of the Company's annual accounts	5,808	5,500
Fees payable to the Company's auditor for other services		
- The audit of the Company's subsidiaries	20,508	16,500
- Tax compliance services	4,754	5,908
- Other taxation advisory services	9,341	9,564
	<u>9,341</u>	<u>9,564</u>

### 5 Interest payable

	2015 £	2014 £
On bank loans and overdrafts	-	39,779
Interest paid	<u>-</u>	<u>39,779</u>

The Group and Company had repaid their long term external loans as at 31 December 2014.

# CHAPEL DOWN GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

### 6 Taxation

The tax rate for the current period is lower than the prior period due to changes in the UK Corporation tax rate which decreased from 21% to 20% from 1 April 2014.

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
<b>Current tax</b>				
UK corporation tax charge on loss for year	-	-	-	-
Adjustments in respect of prior years	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Deferred tax</b>				
Origination and reversal of timing differences	63,879	43,683	42,943	36,836
Adjustments in respect of prior periods	152	(64,258)	(8,695)	(10,140)
Effect of change in deferred tax rate	(8,355)	-	(3,047)	-
<b>Total deferred tax</b>	<u>55,676</u>	<u>(20,575)</u>	<u>31,201</u>	<u>26,696</u>
<b>Tax on loss on ordinary activity</b>	<u>55,676</u>	<u>(20,575)</u>	<u>31,201</u>	<u>26,696</u>
<b>FRS 102 Reconciliation of tax charge</b>				
Loss on ordinary activities before tax (2014 comparatives pre FRS 102)	(278,881)	(39,968)	119,489	69,478
Tax on profit on ordinary activities at standard CT rate of 20% (2014: 21.49%)	(55,778)	(8,589)	23,895	16,629
Effects of:				
Ineligible depreciation and amortisation	32,125	38,657	19,049	22,951
Expenses not deductible for tax purposes	87,532	40,111	-	-
Adjustments to tax charge in respect of previous periods	152	(64,258)	(8,696)	(10,140)
Adjust closing deferred tax to average rate of 20.00% (2014: 21.49%)	(8,355)	(2,909)	(3,047)	(2,101)
Marginal relief	-	-	-	-
Group relief surrendered/(claimed)	-	-	-	-
Deferred tax not recognised	-	4,898	-	(643)
Share option exercise relief	-	(28,485)	-	-
<b>Tax charge/(credit) for the period</b>	<u>55,676</u>	<u>(20,575)</u>	<u>31,201</u>	<u>26,696</u>

Estimated tax losses of the Parent Company to carry forward are £nil (2014: £38,952).

### 7 Profit/(loss) for the financial period

As permitted by section 408 of the Companies Act 2006, the Parent Company's profit and loss account has not been included in these financial statements. The profit/(loss) for the financial year is made up as follows:

	2015	2014
	£	£
Parent Company's profit (2014: profit) for the financial period	<u>88,288</u>	<u>42,782</u>

## CHAPEL DOWN GROUP PLC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

#### 8 Loss per share

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

	Loss after tax		Weighted average number of shares		Loss per share	
	2015 £	2014 £	2015	2014	2015 pence	2014 pence
Basic earnings	(334,557)	(19,393)	100,972,054	90,839,543	(0.33)	(0.02)
Effect of dilutive share options	-	-	5,323,653	7,770,755	-	-
Diluted earnings	<u>(334,557)</u>	<u>(19,393)</u>	<u>106,295,707</u>	<u>98,610,298</u>	<u>(0.33)</u>	<u>(0.02)</u>

#### Adjusted earnings per share (excluding share based payment)

	Loss after tax		Weighted average number of shares		Loss per share	
	2015 £	2014 £	2015	2014	2015 pence	2014 pence
Basic earnings	(334,557)	(19,393)	100,972,054	90,839,543	(0.33)	(0.02)
Add back share based payment	420,286	172,704	-	-	-	-
Adjusted earnings	85,729	153,311	100,972,054	90,839,543	0.08	0.17
Effect of dilutive share options	-	-	5,323,653	7,770,755	-	-
Adjusted diluted earnings	<u>85,729</u>	<u>153,311</u>	<u>106,295,707</u>	<u>98,610,298</u>	<u>0.08</u>	<u>0.17</u>

## CHAPEL DOWN GROUP PLC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

#### 9 Intangible fixed assets - Goodwill

The amortisation charge for the year has been included within administrative expenses before share based payment.

Group	2015	2014
	£	£
<b>Cost</b>		
At 1 January 2015	719,006	719,006
Additions	-	-
<b>At 31 December 2015</b>	<b>719,006</b>	<b>719,006</b>
<b>Amortisation</b>		
At 1 January 2015	303,022	200,963
Charge for the year	46,221	102,059
<b>At 31 December 2015</b>	<b>349,243</b>	<b>303,022</b>
<b>Net book value</b>		
At 31 December 2015	<b>369,763</b>	<b>415,984</b>
At 31 December 2014	<b>415,984</b>	<b>518,043</b>

Goodwill in the Company was valued in 2002 on a fair value basis. The historical cost of goodwill is £691,507 (2014: £691,507). The provision for amortisation based on historical cost would have been £264,042 (2014: £218,682) and the charge for the year would have been £45,360 (2014: £45,360).

Company	2015	2014
	£	£
<b>Cost</b>		
At 1 January 2015	243,594	243,594
Additions	-	-
<b>At 31 December 2015</b>	<b>243,594</b>	<b>243,594</b>
<b>Amortisation</b>		
At 1 January 2015	243,594	187,757
Charge for the year	-	55,837
<b>At 31 December 2015</b>	<b>243,594</b>	<b>243,594</b>
<b>Net book value</b>		
At 31 December 2015	<b>-</b>	<b>-</b>
At 31 December 2014	<b>-</b>	<b>-</b>

# CHAPEL DOWN GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

### 10 Tangible fixed assets Group

	Freehold land and buildings	Short term leasehold properties	Plant and machinery	Biological assets
	£	£	£	£
<b>Cost or valuation</b>				
At 1 January 2015	4,471,803	47,610	2,252,886	241,842
Additions	43,370	130,154	313,639	1,008,348
Disposals	-	-	(1,141)	-
<b>At 31 December 2015</b>	<b>4,515,173</b>	<b>177,764</b>	<b>2,565,384</b>	<b>1,250,190</b>
<b>Depreciation</b>				
At 1 January 2015	648,530	-	850,246	-
Charge for the year	110,291	-	179,130	5,328
Eliminated on disposal	-	-	(552)	-
<b>At 31 December 2015</b>	<b>758,821</b>	<b>-</b>	<b>1,028,824</b>	<b>5,328</b>
<b>Net book value</b>				
<b>At 31 December 2015</b>	<b>3,756,352</b>	<b>177,764</b>	<b>1,536,560</b>	<b>1,244,862</b>
<b>At 31 December 2014</b>	<b>3,823,273</b>	<b>47,610</b>	<b>1,402,640</b>	<b>241,842</b>

	Fixtures, fittings and equipment	Motor vehicles	Total
	£	£	£
<b>Cost or valuation</b>			
At 1 January 2015	309,356	13,781	7,337,278
Additions	72,790	-	1,568,301
Disposals	(638)	-	(1,779)
<b>At 31 December 2015</b>	<b>381,508</b>	<b>13,781</b>	<b>8,903,800</b>
<b>Depreciation</b>			
At 1 January 2015	221,325	13,395	1,733,496
Charge for the year	42,973	96	337,818
Disposals	(567)	-	(1,119)
<b>At 31 December 2015</b>	<b>263,731</b>	<b>13,491</b>	<b>2,070,195</b>
<b>Net book value</b>			
<b>At 31 December 2015</b>	<b>117,777</b>	<b>290</b>	<b>6,833,605</b>
<b>At 31 December 2014</b>	<b>88,031</b>	<b>386</b>	<b>5,603,782</b>

The properties are being depreciated from the valuation date. As the assets are depreciated or sold an appropriate transfer is made from the revaluation reserve to retained earnings.

Accumulated depreciation based on the historical cost would have been: freehold land and buildings £491,192 (2014: £414,644) and plant and machinery £1,004,562 (2014: £827,723).

The depreciation charge for the year based on historical cost would have been: freehold land and buildings £76,548 and plant and machinery £176,839



## CHAPEL DOWN GROUP PLC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

#### 10 Tangible fixed assets (continued) Group

The freehold land and buildings were last revalued in Feb 2015 by Savills PLC on the basis of open market value in accordance with RICS appraisal and valuation standards. An additional valuation of the two vineyards was carried out by the directors who valued this specialised viticultural asset at depreciated replacement cost.

The Company and Group previously held its freehold land and building fixed assets at valuation. The directors obtained external valuations when required by FRS 15 and the most recent external valuation was obtained in February 2015 although no adjustments to the carrying values was required at the time. In accordance with the transitional arrangements of section 35 of FRS 102 that previous valuation is now the deemed cost for those fixed assets. As the assets were previously held at fair value no adjustment is required to the overall carrying value of fixed assets.

The plant and machinery was valued by Edward Symmons and Partners Surveyors in February 2002.

Analysis of the land and buildings valued at the date of transition to FRS 102 using the deemed cost exemption:

	Freehold land and buildings		Plant and machinery	
	2015	2014	2015	2014
Historical cost equivalent	3,256,860	3,213,490	2,544,021	2,231,523
Revaluation	1,258,313	1,258,313	21,363	21,363
Deemed cost	<u>4,515,173</u>	<u>4,471,803</u>	<u>2,565,384</u>	<u>2,252,886</u>

#### 10 Tangible fixed assets

##### Company

	Freehold land and buildings £	Short term leasehold properties £	Plant and machinery £	Biological Assets £	Total £
<b>Cost or valuation</b>					
At 1 January 2015	4,248,853	47,609	635,500	241,842	5,173,804
Additions	18,899	130,154	-	1,008,348	1,157,401
At 31 December 2015	<u>4,267,752</u>	<u>177,763</u>	<u>635,500</u>	<u>1,250,190</u>	<u>6,331,205</u>
<b>Depreciation</b>					
At 1 January 2015	570,871	-	395,143	-	966,014
Charge for the year	91,132	-	31,766	5,328	128,226
At 31 December 2015	<u>662,003</u>	<u>-</u>	<u>426,909</u>	<u>5,328</u>	<u>1,094,240</u>
<b>Net book value</b>					
At 31 December 2015	<u>3,605,749</u>	<u>177,763</u>	<u>208,591</u>	<u>1,244,862</u>	<u>5,236,965</u>
At 31 December 2014	<u>3,677,982</u>	<u>47,609</u>	<u>240,357</u>	<u>241,842</u>	<u>4,207,790</u>

The freehold land and buildings and plant and machinery were transferred to the Company from its subsidiary English Wines Plc in 2002. Disclosure of the cost of the property is shown in the Group fixed assets summary.

## CHAPEL DOWN GROUP PLC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

#### 11 Fixed asset investments Company

Shares in  
Group  
undertakings  
£

##### Cost or valuation

At 1 January 2015 and 31 December 2015

615,082

In the opinion of the directors, the aggregate value of the Company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

##### Holdings of more than 20%

The Company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Class	Shares held %
<b>Subsidiary undertakings</b>			
English Wines Plc	England and Wales	Ordinary	100
Curious Drinks Limited	England and Wales	Ordinary	100
Chapel Down Group Limited	England and Wales	Ordinary	100

The principal activity of these undertakings for the last relevant financial year was as follows:

	<b>Principal activity</b>
English Wines Plc	Manufacture and sale of wine
Curious Drinks Limited	Sale of beer
Chapel Down Group Limited	Dormant

# CHAPEL DOWN GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

### 12 Stocks and work in progress

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Raw materials	118,378	44,303	-	-
Work in progress	3,692,989	3,712,036	-	-
Finished goods and goods for resale	1,163,518	550,487	-	-
	<u>4,974,885</u>	<u>4,306,826</u>	<u>-</u>	<u>-</u>

Stock recognised in cost of sales during the year as an expense was £5,161,552 (2014: £3,894,918).

### 13 Debtors

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Trade debtors	1,929,134	1,205,825	-	-
Other debtors	252,428	53,803	178,943	14,350
Prepayments and accrued income	159,656	34,997	97,055	-
Corporation tax	-	14,279	-	-
	<u>2,341,218</u>	<u>1,308,904</u>	<u>275,998</u>	<u>14,350</u>

Amounts falling due after more than one year not included in the debtors above are:

	2015	2014	2015	2014
	£	£	£	£
Amounts owed by group undertakings	<u>-</u>	<u>-</u>	<u>5,590,992</u>	<u>4,700,126</u>

The interest rate charged on the intercompany loans to English Wines Plc is 7%. The interest rate charged on the intercompany loans to Curious Drinks Limited is 2.5%.

There is no fixed repayment term for either of the intercompany loans.

### 14 Creditors : amounts falling due within one year

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Trade creditors	1,426,063	978,194	-	-
Corporation tax	369	369	369	369
Taxes and social security costs	322,342	291,769	-	-
Other creditors	479,859	380,599	-	-
Accruals and deferred income	78,045	62,932	7,416	7,000
	<u>2,306,678</u>	<u>1,713,863</u>	<u>7,785</u>	<u>7,369</u>

# CHAPEL DOWN GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

### 15 Creditors : amounts falling due after more than one year

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Accruals and deferred income	31,839	33,255	-	-
	<u>31,839</u>	<u>33,255</u>	<u>-</u>	<u>-</u>

### 16 Deferred taxation

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
The movements in deferred tax are as follows:				
At 1 January 2015	235,990	278,554	193,852	-
Deferred tax movement relating to revaluation of tangible assets	(18,892)	(21,989)	(18,892)	167,156
Deferred tax movement relating to share options (Released)/charged to the profit and loss account during the year	1,710	-	-	-
	55,676	(20,575)	31,201	26,696
At 31 December 2015	<u>274,484</u>	<u>235,990</u>	<u>206,161</u>	<u>193,852</u>

The deferred tax (asset)/liability is made up as follows:

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Accelerated capital allowances	275,119	206,244	57,897	34,486
Losses	(116,370)	(103,170)	-	(7,790)
Share options	(32,529)	(34,240)	-	-
Deferred tax on revaluation reserve	148,264	167,156	148,264	167,156
	<u>274,484</u>	<u>235,990</u>	<u>206,161</u>	<u>193,852</u>

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the tax losses can be utilised.

The net deferred tax liability likely to reverse in 2016 is not expected to be material as any reversal of timing differences on capital allowances will be offset by the utilisation of tax losses.

## CHAPEL DOWN GROUP PLC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

<b>17</b>	<b>Share capital</b>	<b>2015</b>	<b>2014</b>
	<b>Group and Company</b>	<b>£</b>	<b>£</b>
	<b>Allotted, called up and fully paid</b>		
	100,993,948 ordinary shares of £0.05 each	5,049,698	5,048,503
	14,322,158 A1 shares of £0.00010 each	1,432	-
	3,800,000 A2 shares of £0.00010 each	380	-
		<u>5,051,510</u>	<u>5,048,503</u>

During the year the Company issued 23,884 ordinary 5p shares to the directors.

The company also issued two new class of shares, A1 and A2 shares also referred to as growth shares.

The A1 and A2 shares have no voting rights and no specific dividend rights unless a special dividend is declared following certain specific events involving the sale of some or all of the company's business and assets. 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 company exit date. The capital value attributable to the A1 and A2 shares varies depending upon whether certain company value thresholds are achieved. Full details of the rights attached to the A1 and A2 shares can be found in the Company's articles of association.

388,124 unissued ordinary shares of 5p each are covered by a share option agreement and these are exercisable at 12.5p per share. A further 3,008,526 unissued ordinary shares of 5p each are covered by various share option agreements and these have been exercisable at between 5p and 15p per share since 1 July 2011.

A further 1,491,800 unissued ordinary shares of 5p each are covered by various share option agreements and these have been exercisable at 10p per share since 1 July 2015.

In 2013 a further 11,000,000 unissued ordinary shares of 5p each were covered by various share option agreements and these are exercisable at 17p per share after 1 July 2017. In November 2015 there was an amendment to the terms of 6,311,112 of these shares resulting in forfeit of these shares. In accordance with UK GAAP the vesting period and annual charge for the forfeited shares is accelerated and the notional expense of £346,669 has been debited to the Income statement in 2015. As of December 2015 there are 4,688,888 of the 2013 unissued ordinary shares of 5p each covered by various share option agreements and these are exercisable at 17p per share after 1 July 2017

## 18 Financial commitments

At 31 December 2015 the Group's future minimum operating lease payments are as follows:

	Other	
	2015	2014
	£	£
Expiry date:		
Within one year	63,057	54,681
Between two and five years	52,788	85,253
More than five years	-	-
	<u>115,845</u>	<u>139,934</u>

Chapel Down Group Plc has entered into a lease agreement for a warehouse facility, the lease began on 08 December 2015 and is for a 10 year term with a 5 year break lease clause. In accordance with FRS102 the amount payable over the 5 year non-cancellable term is shown here along with the existing farm business tenancy agreements already in place.

# CHAPEL DOWN GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

<b>19</b>	<b>Directors' emoluments</b>		<b>2015</b>	<b>2014</b>
			<b>£</b>	<b>£</b>
	Emoluments for qualifying services			
	- directors of this Company	Salaries	280,000	235,000
		Benefits	<u>34,241</u>	<u>29,331</u>
			<u><b>314,241</b></u>	<u><b>264,331</b></u>

The directors are considered to be the key management personnel. 3 directors (2014: 2) are entitled to receive shares under long term incentive schemes.

The highest paid director received remuneration of £162,554 (2014 - £156,109) which included a pension contribution of £396 (2014 - £Nil) and was entitled to receive shares under long term incentive schemes.

During the year 2 (2014: 2) directors participated in money purchase pension schemes.

## **20 Employees**

### **Number of employees**

The average monthly number of employees (including executive directors) during the year was:

	<b>2015</b>	<b>2014</b>
	<b>Number</b>	<b>Number</b>
Administration	15	10
Production	18	13
Directors	3	2
Retail	<u>15</u>	<u>14</u>
	<u><b>51</b></u>	<u><b>39</b></u>

<b>Employment costs</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Wages and salaries	1,257,159	971,994
Social security costs	131,440	102,854
Pension costs	<u>3,368</u>	<u>-</u>
	<u><b>1,391,967</b></u>	<u><b>1,074,848</b></u>
Share based payments	<u><b>420,286</b></u>	<u><b>172,704</b></u>

Employment costs include £73,617 (2014: £172,704) charged to the profit and loss account over the vesting period for the share options in existence at the year end.

In November 2015 there was an amendment to the terms of the 2013 share options resulting in the cancellation of 6,311,112 share options. FRS 102 section 26 requires the Company to accelerate the charge associated with cancelled share options. The accelerated charge in 2015 in respect of the cancelled 6,311,112 share options is £346,669.

## CHAPEL DOWN GROUP PLC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

#### 21 Share options

During the period ended 31 December 2015, the Company had five share based payment arrangements in favour of employees of the Group, which are described below:

	2003	2006	2006	2009	2013
		Variable price	Fixed price	Fixed price	Fixed price
Date of grant	11-Feb-03	27-Jan-06	27-Jan-06	11-Dec-09	15-Nov-14
Number granted	1,968,450	3,000,000	3,239,997	3,000,000	11,000,000
Amendment to existing Options (2015)					(6,311,112)
Contractual life	3.7 years	4.4 years	4.4 years	3.6 years	4.6 years
Vesting conditions	Service ranging from 9 months to 3 years 9 months *	4.4 years' service **	4.4 years' service	3.6 years' service	4.6 years' service

\* 80% of the shares required service ranging from 9 months to 3 years 9 months.

\*\* 4.4 years' service. A minimum of 2,000,000 options are exercisable at a price of between 5p and 15p per share, depending on the future share price. This option extends to a further two tranches of 500,000 ordinary shares at 5p, again depending on future share price.

The estimated fair value of the 1,968,450 share options granted in 2003 is 2.3p. This was calculated by applying the Black Scholes option pricing model. The model inputs were the share price at grant date of 12.5p, exercise price of 12.5p, expected volatility of 12%, no expected dividends, contractual life of 3.7 years and a risk free interest rate of 4.3%. The options were granted before the shares were listed and so volatility has been based on share price movements from listing, in April 2003, to 31 December 2005.

The estimated fair value of each of the 3,000,000 share options granted in 2006 is 7.3p. This was calculated by applying the Black Scholes option pricing model to the two extremes of the variable option and averaging the result. The model inputs were the share price at grant date of 15p, exercise prices of 15p and 5p, expected volatility of 12%, no expected dividends, contractual life of 4.4 years and a risk free interest rate of 5.5%.

The estimated fair value of each of the 3,239,997 share options granted in 2006 is 3.5p. This was calculated by applying the Black Scholes option pricing model. The model inputs were the share price at grant date of 15p, exercise price of 15p, expected volatility of 12%, no expected dividends, contractual life of 4.4 years and a risk free interest rate of 5.5%.

The estimated fair value of each of the 3,000,000 share options granted in 2009 is 5.2p. This was calculated by applying the Black Scholes option pricing model. The model inputs were the share price at grant date of 15p, exercise price of 10p, expected volatility of 9%, no expected dividends, contractual life of 3.6 years and a risk free interest rate of 0.50%.

The estimated fair value of each of the 4,688,888 share options granted in 2013 is 7.3p. This was calculated by applying the Black Scholes option pricing model. The model inputs were the share price at grant date of 20.05p, exercise price of 17p, expected volatility of 35%, no expected dividends, contractual life of 4.5 years and a risk free interest rate of 0.50%.

In November 2015 there was an amendment to the terms of the 2013 share options resulting in cancellation of 6,311,112 share options. As of December 2015 there are 4,688,888 of the 2013 unissued ordinary shares of 5p each covered by various share option agreements and these are exercisable at 17p per share after 1 July 2017.

The directors believe the Black Scholes model is the most appropriate for calculating share option charges under section 26 FRS 102.

# CHAPEL DOWN GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

### 21 Share options

Further details of the four share option plans are as follows:

	2003		2006 Variable price		2006 Fixed price		2009 Fixed price		2013 Fixed price	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at start of year	788,124	12.5p	2,600,000	9.0p	468,526	15.0p	1,491,800	10.0p	11,000,000	17.0p
Exercised	-	-	-	-	-	-	-	-	-	-
Granted	-	-	-	-	-	-	-	-	-	-
Forfeited	-	-	-	-	-	-	-	-	(6,311,112)	17.0p
Outstanding at end of year	788,124	12.5p	2,600,000	9.0p	468,526	15.0p	1,491,800	10.0p	4,688,888	17.0p
Exercisable at end of year	788,124	12.5p	2,600,000	9.0p	468,526	15.0p	1,491,800	10.0p	-	-

The options outstanding at 31 December 2015 had exercise prices of 10p, 15p, 12.5p and 5-15p, and a weighted average remaining contractual life of 2.5 years (2014: 3.5 years).

	Total	2003	2006 Variable Price	2006 Fixed Price	2009 Fixed Price	2014 Fixed Price
Expense arising from share based payment transactions : share option plans 2015	420,286	-	-	-	-	420,286
2014	172,704	-	-	-	-	172,704



## **CHAPEL DOWN GROUP PLC**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015**

#### **22 Ultimate Controlling Party**

The directors consider that there is no one ultimate controlling party.

#### **23 Related party transactions**

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

Fees of £140,000 (2014:£140,000) and expenses of £384 (2014:£Nil) were payable to related parties in respect of investment monitoring, consultancy fees and non-executive director services. At the year-end a balance of £56,666 (2014:£44,166) was outstanding.

#### **24 Capital commitments**

At 31 December 2015 the Company had capital commitments totalling £77,962 for vines for planting at Scurms Vineyard.

## **CHAPEL DOWN Group PLC**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015**

#### **24 Transition to FRS 102**

The company has adopted FRS102 for the year ended 2015 and has restated the comparative prior year amounts.

##### **Explanations**

##### **Changes for FRS 102 adoption**

- 1 In accordance with section 34 of FRS 102 the cost of vines are recognised as biological assets rather than as part of land and buildings. There is no impact on the overall carrying value of tangible fixed assets.
- 2 In accordance with section 18 of FRS 102 goodwill is now being amortised over its useful economic life of 10 years. This change has resulted in an additional amortisation charge of £54,124 in 2014 in the consolidated financial statements and £39,597 in the company financial statements.
- 3 In accordance with section 29 of FRS 102 the Group now recognises deferred tax in respect of non-depreciable property whose value is measured using the revaluation model. Previously the deferred tax would not have been recognised unless the Group had entered into a binding agreement to sell or if it had recognised any gains or losses expected to arise on the sale of such an asset. A deferred tax liability of £189,145 was recognised on the revaluation reserve gain at the FRS 102 transition date of 1 January 2014.

The impact at the date of transition and at 31 December 2014 is shown on the following pages.

## CHAPEL DOWN GROUP PLC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

#### 24 Transition to FRS 102 continued

##### Restated consolidated statement of financial position

##### Group

	01-Jan-14 Effect of transition			31-Dec-14 Effect of transition		
	as previously stated	Adjustments	FRS 102 (as restated)	as previously stated	Adjustments	FRS 102 (as restated)
<b>Fixed Assets</b>						
Intangible Assets	518,043		518,043	470,108	(54,124)	415,984
Tangible Assets	5,315,922		5,315,922	5,603,782		5,603,782
<b>Current Assets</b>						
Stocks	3,391,591		3,391,591	4,306,826		4,306,826
Debtors	1,073,006		1,073,006	1,308,904		1,308,904
Cash at bank and in hand	4,077,734		4,077,734	5,210,188		5,210,188
Creditors amounts falling due within one year	(1,448,535)		(1,448,535)	(1,713,863)		(1,713,863)
<b>Net Current assets</b>	<b>7,093,796</b>		<b>7,093,796</b>	<b>9,112,055</b>		<b>9,112,055</b>
Creditors amounts falling due after one year	(1,672,909)		(1,672,909)	(33,255)		(33,255)
Provisions for liabilities	(89,409)	(189,145)	(278,554)	(68,834)	(167,156)	(235,990)
<b>Net Assets</b>	<b>11,165,443</b>		<b>10,976,298</b>	<b>15,083,856</b>		<b>14,862,576</b>
<b>Capital and reserves</b>						
Called Up Share Capital	4,299,464		4,299,464	5,048,503		5,048,503
Share Premium Account	5,592,973		5,592,973	8,554,912		8,554,912
Revaluation Reserve	1,299,176	(189,145)	1,110,031	1,260,545	(167,156)	1,093,389
Profit and Loss Account	(26,170)		(26,170)	219,896	(54,124)	165,772
<b>Total Shareholders funds</b>	<b>11,165,443</b>		<b>10,976,298</b>	<b>15,083,856</b>		<b>14,862,576</b>

##### Restated Profit and Loss

	Year ending 31-Dec-14 Effect of transition		
	as previously stated	Adjustments	FRS 102 (as restated)
Turnover	6,110,351		6,110,351
Cost of Sales	(3,894,918)		(3,894,918)
<b>Gross profit</b>	<b>2,215,433</b>		<b>2,215,433</b>
Administrative Expenses	(2,071,876)	(54,124)	(2,126,000)
Share Based Payment	(172,704)		(172,704)
<b>Operating profit</b>	<b>(29,147)</b>		<b>(83,271)</b>
Interest Receivable and similar Income	83,082		83,082
Interest payable and similar charges	(39,779)		(39,779)
<b>Profit on ordinary activities before taxation</b>	<b>14,156</b>		<b>(39,968)</b>
Tax on profit on ordinary activities	20,575		20,575
<b>Profit/ (loss) on ordinary activities after taxation</b>	<b>34,731</b>		<b>(19,393)</b>

## CHAPEL DOWN GROUP PLC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

#### 24 Transition to FRS 102 continued

##### Restated statement of financial position

##### Company

	01-Jan-14 Effect of transition			31-Dec-14 Effect of transition		
	as previously stated	Adjustments	FRS 102 (as restated)	as previously stated	Adjustments	FRS 102 (as restated)
<b>Fixed Assets</b>						
Intangible Assets	55,837		55,837	39,597	(39,597)	-
Tangible Assets	4,206,456		4,206,456	4,207,790		4,207,790
Investments	615,082		615,082	615,082		615,082
<b>Current Assets</b>						
Stocks	-		-	-		-
Debtors	3,872,628		3,872,628	4,714,476		4,714,476
Cash at bank and in hand	3,526,193		3,526,193	4,702,175		4,702,175
Creditors amounts falling due within one year	(172,205)		(172,205)	(7,369)		(7,369)
<b>Net Current assets</b>	<b>7,226,616</b>		<b>7,226,616</b>	<b>9,409,282</b>		<b>9,409,282</b>
Creditors amounts falling due after one year	(1,652,293)		(1,652,293)	-		-
Provisions for liabilities	-	(189,145)	(189,145)	(26,696)	(167,156)	(193,852)
<b>Net Assets</b>	<b>10,451,698</b>		<b>10,262,553</b>	<b>14,245,055</b>		<b>14,038,302</b>
<b>Capital and reserves</b>						
Called Up Share Capital	4,299,464		4,299,464	5,048,503		5,048,503
Share Premium Account	5,592,973		5,592,973	8,554,912		8,554,912
Revaluation Reserve	1,143,973		954,828	1,113,669	(167,156)	946,513
Profit and Loss Account	(584,712)		(584,712)	(472,029)	(39,597)	(511,626)
<b>Total Shareholders funds</b>	<b>10,451,698</b>		<b>10,262,553</b>	<b>14,245,055</b>		<b>14,038,302</b>

##### Restated Profit and Loss

	Year ending 31-Dec-14 Effect of transition		
	as previously stated	Adjustments	FRS 102 (as restated)
Turnover	122,460		122,460
Cost of Sales	-		-
<b>Gross profit</b>	<b>122,460</b>		<b>122,460</b>
Administrative Expenses	(376,973)	(39,597)	(416,570)
<b>Operating loss</b>	<b>(254,513)</b>		<b>(294,110)</b>
Interest Receivable and similar Income	363,588		363,588
Interest payable and similar charges	-		-
<b>Profit on Ordinary activities before taxation</b>	<b>109,075</b>		<b>69,478</b>
Tax on profit on ordinary	(26,696)		(26,696)
<b>Profit on ordinary activities after taxation</b>	<b>82,379</b>		<b>42,782</b>