

Company Registration No. 04362181 (England and Wales)

CHAPEL DOWN GROUP PLC

ANNUAL REPORT

**FOR THE YEAR ENDED
31 DECEMBER 2016**

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CHAPEL DOWN GROUP PLC

DIRECTORS AND ADVISERS

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
10 Palace Avenue
Maidstone
Kent
ME15 6NF

Bankers

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

Registrars

Capita Registrars
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Financial advisers

FinnCap
60 New Broad Street
London
EC2M 1JJ

Solicitors

Cripps LLP
22 Mount Ephraim Road
Tunbridge Wells
Kent
TN4 8AS

CHAPEL DOWN GROUP PLC

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CHAPEL DOWN GROUP PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

Summary

I am delighted once again to announce a good set of results for the year ended 31 December 2016.

Highlights include:-

- Year on year sales up 25% to £10.233m (2015: £8.179m)*
- Chapel Down wine sales up 22% to £6.791m (2015: £5.564m)
- Beer and Cider sales in the associate company Curious Drinks Ltd up 32% to £3.442m (2015: £2.614m)
- Wine gross profit up 30% at £2.888m (2015: £2.229m)
- Beer and Cider Gross Profit in the associate company Curious drinks Ltd up 39% at £1.099m (2015: £0.789m)
- Continuing EBITDA up 72% to £750k (2015: £435k)*** as we continue to reinvest in our brands, infrastructure and supply
- The associate company Curious Drinks Limited raised funds of £1.736m (equating to a 9.79% economic stake) valuing the business at £17.74m. **
- 95 acres of new vineyards planted (40 acres on our new leased sites in Kent and 55 acres with contract partners)
- Platinum medal at The Decanter World Wine Awards for our Kit's Coty Chardonnay 2013 as well as Gold medals for our sparkling wines in two prestigious global competitions - The International Wine and Spirits Challenge 2016 and the Champagne and Sparkling Wine World Championships 2016

The group continued to build its most important assets - its brands - through innovative and well executed marketing, high profile sponsorships and publicity and a differentiated and creative approach to all our activities. In addition to being cited as one of the London Stock Exchange's 1000 companies to Inspire Britain, we also joined the Walpole Group of luxury brands and retained our official CoolBrand status.

Curious Drinks Limited – fundraising and partial disposal

Prior to 4th April 2016 Curious Drinks Limited ("Curious Drinks") was a 100% subsidiary of Chapel Down Group Plc. In April 2016, Curious Drinks Limited raised funds of £1.736m for a 9.79% economic share and a 50.21% share of the voting rights in the business with Chapel Down Group Plc retaining the remaining 90.21% economic interest and the remaining 49.79% share of the voting rights. The 'post money' valuation of the Curious Drinks business was £17.736m. The sale of the 50.21% share of voting rights means there was a "deemed disposal" resulting in a gain on disposal for Chapel Down Group Plc of £467k as well as Curious Drinks Limited being accounted for as an associate from 4th April 2016 onwards. The profit and loss account for the year ended 31 December 2016 shows the "Continuing operations" which includes 49.79% of the performance of Curious Drinks Limited for the period 4th April 2016 to 31st December 2016 as a single line, being the "share of loss from associate".

Under FRS102 the results of Curious Drinks Limited pre 4th April, which were previously consolidated on a 100% ownership basis, are now disclosed under the heading "Discontinued Operations" in the profit and loss account.

Performance review

The combined business continued to perform strongly in 2016, with growth in sales and gross profit of both wine and beer and cider.

	Wine			Beer and Cider			Combined Businesses		
	FY 2016	FY 2015	%age Variance	FY 2016	FY 2015	%age Variance	FY 2016	FY 2015	%age Variance
	£'000	£'000		£'000	£'000		£'000	£'000	
Turnover	6,791	5,564	+22%	3,442	2,614	+32%	10,233	8,179	+25%
Gross profit	2,888	2,229	+30%	1,099	789	+39%	3,987	3,017	+32%
Gross profit %age	43%	40%		32%	30%		39%	37%	

We have made a conscious decision to continue reinvesting any surplus cash in our people, our systems, and our brands. Nonetheless the total business reported Continuing EBITDA of £750k***, compared with £435k*** in the year to December 2015.

We believe that the potential and the growth in both English wines and specialist or craft beer will continue and we want to ensure our brands are well positioned to participate in that growth. We continue to invest in planting new vineyards on the finest land on our long term leasehold land holdings in Kent and other long term partner sites.

Wine

Wine sales grew 22% in the year to £6.791m. We are confident in the positioning of our brand and seeing growth across the country, as well as developing some exciting long term export opportunities.

Our still wines (much of which can be released in the year following vintage) have been winning international accolades, as well as our sparkling. As a result we are seeing strong demand and excellent sell through. The nature of wine means that we must manage the growth rate to ensure we do not over-extend our distribution. This ensures we maintain our premium profile and good relationships with our distributors and retailers. We continue to manage our stock levels to enable consistency of supply over the longer term which is critical in the continued development of our brand.

CHAPEL DOWN GROUP PLC

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

Performance review (continued)

The investment by our shareholders has enabled us to secure an exciting future. We are very pleased with the development of our vineyard sites and have planted a further 40 acres taking the total planted on our long term leased land to 122 acres since 2015. We have also added a further 55 acres which is under long term grower contracts. We continue to invest in further capacity and equipment at Tenterden, improving our systems and building our brand and team. The new storage, disgorging and dispatch warehouse in Ashford is now fully operational and releases space for further winemaking capacity at Tenterden. The relocation of our office and commercial teams to Ashford has not only improved our connectivity, but also enabled us to gain planning consent for improved visitor facilities at the former office block at Tenterden, now open as The Wine Sanctuary - a tasting and entertainment facility that also gives us more retail space in our shop.

Beer and Cider

Beer and cider sales in our associate company, Curious Drinks Ltd, rose 32% to £3.442m. Our growth has focused on premium accounts and we have been delighted by the continuing progress in top end restaurants, bars, hotels and premium off trade where the brand has good sustainable rates of sale. We are successfully attracting aspirant consumers wanting interesting, original and accessible brands. We have National distribution through Majestic and Waitrose in the off trade and a network of wholesalers including Matthew Clark that enables us to supply Curious beers in draught or bottles to the whole of Great Britain. We are supplying Mitchells & Butlers as well as a number of up and coming on trade groups looking for something truly original.

We have a unique and distinctive consumer proposition – a winemaker's beer – which is increasingly rare in an exciting and fast-growing beer market. Our real point of difference and our appeal to a broad church of consumers give us a fantastic opportunity. We are very pleased with the top line growth and strong margins which are enabling us to re-invest in marketing and sales to build the brands. The construction of the new brewery and visitor facility in Ashford just 38 minutes from St Pancras will be a further stimulus for growth. The project is to start very shortly and we expect to be brewing on site during 2018.

Business risks and uncertainties

The uncertainty following 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 2016

Outlook

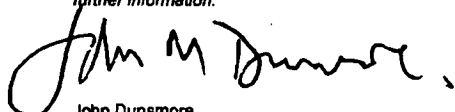
Progress has continued in the first quarter and we are pleased with the growth in wine exports - in particular the USA. Beer growth has been maintained and the opening of new facilities in Tenterden, the launch of further Kits Coty premium wines and the consumer and trade interest in both our wines and beers is very exciting. We remain appropriately optimistic about continuing growth in sales in 2017. We believe that the 2016 harvest will provide the quality of fruit from which we can seek to create more international award winning wines in the years to come. The exciting growth of our beer and cider in a vibrant artisanal market sector is also encouraging for our associate company.

Our assets are supportive of the business: land – and high quality vined land in particular – continues to appreciate; our brand assets are more valuable than ever; and our balance sheet remains strong. We enjoy the custom and support of our many new shareholders who are spreading the word on our behalf with energy and enthusiasm. Thank you for your faith, your continued encouragement and your enthusiastic support.

* Total of wine sales and beer and cider sales

** The sale resulted in Chapel Down Group PLC retaining a 49.79% voting share and a 90.21% economic share of Curious Drinks Limited and realising a gain on disposal of £467k.

*** Excludes the effect of the FRS 102 Section 26 share option accounting adjustment of £75k (2015: £420k) which is a non-cash item. Refer to note 24 for further information.



John Dunsmore
Chairman

21 April 2017

CHAPEL DOWN GROUP PLC

CHIEF EXECUTIVE'S COMMENTARY FOR THE YEAR ENDED 31 DECEMBER 2016

"Chapel Down has enjoyed another excellent year of growth. In a highly competitive trading environment your company 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 company with an exciting future both at home in the UK and in sophisticated drinks markets abroad. With sales growth of 25% across the combined businesses - sales up 22% on wine and up 32% on beer and cider in our associate company - we are investing the proceeds to build the business whilst delivering growth of 72% in continued adjusted EBITDA at £750k*** (2015: £435k***).

English wines, which are now being internationally recognised for their consistent excellence, have 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 around cool climate wines. With distribution in Marks & Spencer, Waitrose, Sainsbury, Tesco and Majestic, as well as hundreds of bars and restaurants serviced by our merchant partners, Chapel Down is able to capitalize on the increased excitement. We have recently seen the launch of Chapel Down in the USA to both critical and public acclaim with initial sales at twice our anticipated level. The potential for export in sophisticated wine markets is exciting. Our investment in Great British events and institutions is helping to bring our brand to a broader international consumer. The London Symphony Orchestra, The Donmar, Royal Opera House, The Boat Races and Royal Ascot are more than just great events to be at. They are perfect compliments for our brand: Exciting, English and aspirational. With the further development of our widely acclaimed Kits Coty super-premium range, we are also ensuring that the quality standards are kept high.

We have also built a long term supply of world class fruit and invested further in our modern and efficient winery to ensure that the quality and value we can deliver to the market will be second to none. We directly planted a further 40 acres of new vineyards in 2016 and we now own and/or manage some 233 acres of vined land and continue to have long term contracts with our high quality group of contracted growers. We've added a further 55 acres of contracted vineyards to this list which enables us to source from a wider geographic area and offset some localized risks of adverse weather events.

"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 32% this year, in our associate company Curious Drinks Ltd, we 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 Company 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 crowd-funding, raising £1.736m and we will be building during 2017 and 2018 to further develop our UK and international business and the brand. With hundreds of pubs and bars stocking the beer and National availability through Majestic and Waitrose, further growth in sales and brand awareness will help to maximize the value of the business.

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 new Wine Sanctuary will be an industry leading tourism facility for the 50,000 visitors who come to Tenterden to learn more about our wines.

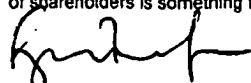
Our people are the vital difference. In an industry that requires passion, professionalism and customer centric thinking, we remain meticulous about who we hire and how we train.

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. Every year we get a little better.

In the winery, the fruit is made into the best possible wine through the expertise of a talented young winemaking team able to 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.

They find us thanks to the constant stream of excitement about the company and its brands generated by the hard work, enthusiasm, energy and creativity of the whole team. This is reflected in the feedback we receive as consumers 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

21 April 2017

CHAPEL DOWN GROUP PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their report and financial statements for the year ended 31 December 2016.

Directors

The following directors have held office since 1 January 2016 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 9.

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 2016

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

21 April 2017

CHAPEL DOWN GROUP PLC

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CHAPEL DOWN GROUP PLC FOR THE YEAR ENDED 31 DECEMBER 2016

We have audited the financial statements of Chapel Down Group Plc for the year ended 31 December 2016 which comprise statements the Consolidated Profit and Loss Account, the Consolidated Statement of Other Comprehensive Income, the Consolidated and Company Balance Sheet, the Consolidated Statement of Cash Flows, the Consolidated and Company Statement of Changes in Equity and the related notes numbered 1 to 28.

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

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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the FRC's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2016 and of the group's profits 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 based on the work undertaken in the course of our audit:

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

CHAPEL DOWN GROUP PLC

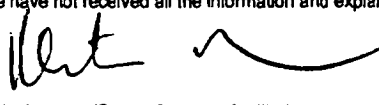
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CHAPEL DOWN GROUP PLC (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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



21 April 2017

Keith Newman (Senior Statutory Auditor)

Crowe Clark Whitehill LLP
Statutory Auditor

10 Palace Avenue
Maidstone
Kent
ME15 6NF

CHAPEL DOWN GROUP PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Continuing operations £	2016 Discontinued operations £	Total £	Continuing operations £	2015 Discontinued operations £	Total £
Turnover	2	6,791,014	539,356	7,330,370	5,564,724	2,614,254	8,178,978
Cost of sales		(3,903,342)	(369,555)	(4,272,897)	(3,336,120)	(1,825,432)	(5,161,552)
Gross profit		2,887,672	169,801	3,057,473	2,228,604	788,822	3,017,426
Administrative expenses before share based payment		(2,466,688)	(211,950)	(2,678,638)	(2,091,263)	(802,954)	(2,894,217)
Share based payment		(74,868)	-	(74,868)	(420,286)	-	(420,286)
Administrative expenses after share based payment		(2,541,556)	(211,950)	(2,753,506)	(2,511,549)	(802,954)	(3,314,503)
Operating profit/(loss)	4	346,116	(42,149)	303,967	(282,945)	(14,132)	(297,077)
Share of loss from associate	12	(27,805)	-	(27,805)	-	-	-
Gain on disposal	5	-	466,903	466,903	-	-	-
Other interest receivable and similar income	6	22,061	-	22,061	18,196	-	18,196
Profit/(loss) on ordinary activities before taxation		340,372	424,754	765,126	(264,749)	(14,132)	(278,881)
Tax on profit/(loss) on ordinary activities	7	(111,691)	(6,613)	(118,304)	(34,477)	(21,199)	(55,676)
Profit/(loss) on ordinary activities after taxation		228,681	418,141	646,822	(299,226)	(35,331)	(334,557)
Retained profit/(loss) for the year		228,681	418,141	646,822	(299,226)	(35,331)	(334,557)
Adjusted performance measures							
Adjusted pre-tax profit							
Profit/(loss) on ordinary activities before taxation		340,372	424,754	765,126	(264,749)	(14,132)	(278,881)
Share based payment		74,868	-	74,868	420,286	-	420,286
Profit on ordinary activities before taxation - excluding share based payment		415,240	424,754	839,994	155,537	(14,132)	141,405
Adjusted EBITDA							
Operating profit/(loss)		346,116	(42,149)	303,967	(282,945)	(14,132)	(297,077)
Share based payment		74,868	-	74,868	420,286	-	420,286
Depreciation		282,388	21,917	304,305	250,991	86,828	337,819
Amortisation		46,221	-	46,221	46,221	-	46,221
EBITDA excluding share based payment		749,593	(20,232)	729,361	434,553	72,696	507,249
Earnings per share (pence)	9						
- basic				0.64			(0.33)
- diluted				0.60			(0.33)
Note							
Earnings per share excluding share based payment				0.67			0.08

CHAPEL DOWN GROUP PLC

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 £	2015 £
Profit/(loss) for the financial year	646,822	(334,557)
Deferred tax movement relating to revaluation of tangible assets	148,264	18,892
Deferred tax movement relating to share options	65,251	(1,711)
Total comprehensive income for the financial year	<u>860,337</u>	<u>(317,376)</u>

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

BALANCE SHEETS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Group		Company	
		2016	2015	2016	2015
		£	£	£	£
Fixed assets					
Intangible assets	10	-	369,763	-	-
Tangible assets	11	7,887,485	6,833,605	6,191,698	5,236,965
Investments	12	914,577	-	623,833	615,082
		<u>8,802,062</u>	<u>7,203,368</u>	<u>6,815,531</u>	<u>5,852,047</u>
Current assets					
Stocks	13	4,460,808	4,974,885	-	-
Debtors	14	2,841,012	2,341,218	515,476	275,998
Debtors more than 1 yr	14	1,127,407	-	6,621,997	5,590,992
Cash at bank and in hand	15	1,225,528	3,062,023	629,392	2,643,398
		<u>9,654,755</u>	<u>10,378,126</u>	<u>7,766,865</u>	<u>8,510,388</u>
Creditors: amounts falling due within one year	16	(2,424,615)	(2,306,678)	(62,438)	(7,785)
		<u>7,230,140</u>	<u>8,071,448</u>	<u>7,704,427</u>	<u>8,502,603</u>
Net current assets					
		<u>7,230,140</u>	<u>8,071,448</u>	<u>7,704,427</u>	<u>8,502,603</u>
Total assets less current liabilities		<u>16,032,202</u>	<u>15,274,816</u>	<u>14,519,958</u>	<u>14,354,650</u>
Creditors: amounts falling due after more than one year	17	(21,414)	(31,839)	-	-
Provisions for liabilities					
Deferred tax	19	(107,090)	(274,484)	(58,240)	(206,161)
		<u>15,903,698</u>	<u>14,968,493</u>	<u>14,461,718</u>	<u>14,148,489</u>
Capital and reserves					
Called up share capital	20	5,051,510	5,051,510	5,051,510	5,051,510
Share premium account		8,554,912	8,554,912	8,554,912	8,554,912
Revaluation reserve		1,183,283	1,073,650	1,053,061	935,101
Profit and loss reserve		1,113,993	288,421	(197,765)	(393,034)
Shareholders' funds		<u>15,903,698</u>	<u>14,968,493</u>	<u>14,461,718</u>	<u>14,148,489</u>

Approved by the Board and authorised for issue on 21 April 2017

F.D. Thompson
Director



R.A.B. Woodhouse
Director



CHAPEL DOWN GROUP PLC

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
	£	£
Cash flows from operating activities		
Profit/(loss) for the financial year	646,822	(334,557)
Adjustments for:		
Depreciation of tangible assets	304,305	337,818
Amortisation of intangible assets	46,221	46,221
Loss on disposal of assets	15,013	660
Gain on disposal of subsidiary	(466,903)	-
Share of loss of associate	27,805	-
Share-based payments	74,868	420,286
Interest receivable	(22,061)	(18,196)
Taxation charge	118,304	55,676
Increase in stocks	(179,895)	(668,059)
Increase in trade and other debtors	(983,667)	(1,032,314)
Increase in trade and other creditors	165,712	591,398
	<u>(253,476)</u>	<u>(601,067)</u>
Income taxes paid	-	-
Net cash generated from operating activities	<u>(253,476)</u>	<u>(601,067)</u>
Cash flows from investing activities		
Payments to acquire tangible assets	(1,604,830)	(1,568,301)
Cash disposed of on deemed disposal of subsidiary	(250)	-
Interest received	22,061	18,196
Net cash from investing activities	<u>(1,583,019)</u>	<u>(1,550,105)</u>
Cash flows from financing activities		
Issue of ordinary share capital	-	3,007
Net cash used in financing activities	<u>-</u>	<u>3,007</u>
Net decrease in cash and cash equivalents	<u>(1,836,495)</u>	<u>(2,148,165)</u>
Cash and cash equivalents at the beginning of the year	<u>3,062,023</u>	<u>5,210,188</u>
Cash and cash equivalents at the end of the year	<u>1,225,528</u>	<u>3,062,023</u>

CHAPEL DOWN GROUP PLC

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016 Group

	Called up share capital	Share premium account	Revaluation reserve	Profit and loss account	Total
	£	£	£	£	£
At 1 January 2015	5,048,503	8,554,912	1,093,389	185,772	14,862,576
Loss for the year	-	-	-	(334,557)	(334,557)
Other comprehensive income for the year *	-	-	18,892	(1,711)	17,181
Total comprehensive income for the year	-	-	18,892	(336,268)	(317,376)
Issue of shares	3,007	-	-	-	3,007
Share based payment expense	-	-	-	420,286	420,286
Transfer of excess depreciation charge relating to revaluation of tangible assets	-	-	(38,631)	38,631	-
At 31 December 2015	5,051,510	8,554,912	1,073,650	288,421	14,968,493
Profit for the year	-	-	-	646,822	646,822
Other comprehensive income for the year *	-	-	148,264	65,251	213,515
Total comprehensive income for the year	-	-	148,264	712,073	860,337
Share based payment expense	-	-	-	74,868	74,868
Transfer of excess depreciation charge relating to revaluation of tangible assets	-	-	(38,631)	38,631	-
At 31 December 2016	5,051,510	8,554,912	1,183,283	1,113,993	15,903,698

* Other comprehensive income	2016 £	2015 £
Deferred tax movement relating to revaluation of tangible assets	148,264	18,892
Deferred tax movement relating to share options	65,251	(1,711)
Other comprehensive income	<u>213,515</u>	<u>17,181</u>

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
	£	£	£	£	£
At 1 January 2015	5,048,503	8,554,912	946,513	(511,626)	14,038,302
Profit for the year	-	-	-	88,288	88,288
Other comprehensive income for the year *	-	-	18,892	-	18,892
Total comprehensive income for the year	-	-	18,892	88,288	107,180
Issue of shares	3,007	-	-	-	3,007
Transfer of excess depreciation charge relating to revaluation of tangible assets	-	-	(30,304)	30,304	-
At 31 December 2015	5,051,510	8,554,912	935,101	(393,034)	14,148,489
Profit for the year	-	-	-	164,965	164,965
Other comprehensive income for the year *	-	-	148,264	-	148,264
Total comprehensive income for the year	-	-	148,264	164,965	313,229
Transfer of excess depreciation charge relating to revaluation of tangible assets	-	-	(30,304)	30,304	-
Balance at 31 December 2016	5,051,510	8,554,912	1,053,061	(197,765)	14,461,718

* Other comprehensive income

	2016 £	2015 £
Deferred tax movement relating to revaluation of tangible assets	148,264	18,892
Other comprehensive income	<u>148,264</u>	<u>18,892</u>

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

1.1 Company information

The principal activity of the company is that of a holding company. The principal activity of the group is the production and sale of alcoholic beverages.

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

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

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 1.23).

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, its subsidiary undertakings and its associate undertakings made up to 31 December 2016. 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 8. 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 going concern basis of accounting in preparing the annual financial statements.

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.

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

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 economic life of ten years.

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies (continued)

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 follows:

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

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 Investment in subsidiaries

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

1.10 Investment in associates

Investments in associates are recognised initially in the consolidated statement of financial position at the transaction price and subsequently adjusted to reflect the group's share of total comprehensive income and equity of the associate, less any impairment.

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition, although treated as goodwill, is presented as part of the investment in the associate. Amortisation is charged so as to allocate the cost of goodwill over its estimated useful life of ten years, using the straight-line method.

Investments in associates are accounted for at cost less impairment in the individual financial statements.

1.11 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.

1.12 Debtors

Short term debtors are measured at transaction price, less any impairment.

1.13 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.

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies (continued)

1.14 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 accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

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.

1.15 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.

1.16 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.

1.17 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.

1.18 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.

1.19 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.

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.

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies (continued)

1.20 Pensions

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

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

1.21 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.

1.22 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.

1.23 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 and the control of Curious Drinks Limited. For reference to how the useful economic lives of intangible and tangible fixed assets are derived please see notes 1.7 and 1.8.

Prior to 4th April 2016 Curious Drinks Limited was a 100% subsidiary of Chapel Down Group PLC. In April 2016, Curious Drinks Limited raised funds of £1.736m for a 9.79% economic share and a 50.21% share of the voting rights in the business with Chapel Down Group PLC retaining the remaining 90.21% economic interest and the remaining 49.79% share of the voting rights. From April 2016 Curious Drinks has been accounted for as an associate as Chapel Group Group PLC was not deemed to have control of the entity. This is a key accounting judgement. In making this judgement the directors considered the voting power of Chapel Down Group PLC and the company's ability to exercise dominant influence.

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

2 Turnover

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

Segmental analysis by geographical area

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

	Continuing operations	2016 Discontinued operations	Total	Continuing operations	2015 Discontinued operations	Total
	£	£	£	£	£	£
Geographical segment						
UK	6,720,216	537,484	7,257,700	5,513,314	2,609,574	8,122,888
Other EU	20,568		20,568	849		849
Non EU	50,230	1,872	52,102	50,561	4,680	55,241
	<u>6,791,014</u>	<u>539,356</u>	<u>7,330,370</u>	<u>5,564,724</u>	<u>2,614,254</u>	<u>8,178,978</u>

3 Segmental Reporting

All of the reported revenue and operational results for the period derive from the group's external customers and 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

	2016 £	2015 £
Operating loss is stated after charging:		
Amortisation of intangible assets	46,221	46,221
Depreciation of tangible assets	304,305	337,818
Loss on foreign exchange transactions	1,028	7,591
Operating lease rentals		
- Land and buildings	81,959	79,209
- Other	80,692	66,869
Fees payable to the company's auditor for the audit of the company's annual accounts	6,096	5,808
Fees payable to the company's auditor for other services		
- The audit of the company's subsidiaries	16,560	20,508
- Tax compliance services	4,764	4,754
- Other taxation advisory services	<u>3,274</u>	<u>9,341</u>

5 Gain on disposal

	2016 £	2015 £
Gain on disposal of Curious Drinks Limited	<u>466,903</u>	<u>-</u>

Prior to 4th April 2016 Curious Drinks Limited was a 100% subsidiary of Chapel Down Group Plc. In April 2016, Curious Drinks Limited raised funds of £1.736m for a 9.79% economic share and a 50.21% share of the voting rights in the business with Chapel Down Group Plc retaining the remaining 90.21% economic interest and the remaining 49.79% share of the voting rights.

The sale of the 50.21% share of voting rights means there was a "deemed disposal" resulting in Curious Drinks Limited being accounted for as an associate from 4th April 2016 onwards. The gain on disposal has been calculated as the difference between Chapel Down Group Plc's share of the net assets of Curious Drinks Limited pre and post crowdfunding.

6 Interest receivable

	2016 £	2015 £
Bank interest received	9,267	18,196
Interest received from associate undertakings	12,794	-
	<u>22,061</u>	<u>18,196</u>

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

7 Taxation

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Current tax				
UK corporation tax charge on profit for year	53,841	-	53,841	-
Adjustments in respect of prior years	-	-	-	-
	<u>53,841</u>	<u>-</u>	<u>53,841</u>	<u>-</u>
Deferred tax				
Origination and reversal of timing differences	62,622	63,879	10,782	42,943
Adjustments in respect of prior periods	1,841	152	(10,439)	(8,695)
Effect of change in deferred tax rate	-	(8,355)	-	(3,047)
Total deferred tax	<u>64,463</u>	<u>55,676</u>	<u>343</u>	<u>31,201</u>
Tax on loss on ordinary activity	<u>118,304</u>	<u>55,676</u>	<u>54,184</u>	<u>31,201</u>
FRS 102 Reconciliation of tax charge				
Loss on ordinary activities before tax	765,126	(278,881)	219,149	119,489
Tax on profit on ordinary activities at standard CT rate of 20% (2015: 20%)	153,026	(55,778)	43,830	23,895
Effects of:				
Ineligible depreciation and amortisation	34,648	32,125	21,361	19,049
Expenses not deductible for tax purposes	25,466	87,532	-	-
Adjustments to tax charge in respect of previous periods	1,841	152	(10,439)	(8,696)
Adjust closing deferred tax to average rate of 19.00% (2015: 20%)	(3,296)	(8,355)	(567)	(3,047)
Income not taxable	(93,381)	-	-	-
Tax charge/(credit) for the period	<u>118,304</u>	<u>55,676</u>	<u>54,185</u>	<u>31,201</u>

The Group has £410,657 (2015: £550,594) losses to carry forward. £376,223 (2015: £516,160) of the losses can be carried forward to set against future profits of the same trade and £34,434 (2015: £34,434) can be set against any future profits.

8 Profit for the financial year

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 for the financial year is as follows:

	2016	2015
	£	£
Parent company's profit for the financial year	<u>164,965</u>	<u>88,288</u>

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

9 Earnings 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.

	Profit/(loss) after tax		Weighted average number of shares		Profit/(loss) per share	
	2016 £	2015 £	2016	2015	2016 pence	2015 pence
Basic earnings	646,822	(334,557)	100,993,948	100,972,054	0.64	(0.33)
Effect of dilutive share options	-	-	6,315,612	5,323,653	-	-
Diluted earnings	<u>646,822</u>	<u>(334,557)</u>	<u>107,309,560</u>	<u>106,295,707</u>	<u>0.60</u>	<u>(0.33)</u>

Adjusted earnings per share (excluding share based payment)

	Profit/(loss) after tax		Weighted average number of shares		Profit/(loss) per share	
	2016 £	2015 £	2016	2015	2016 pence	2015 pence
Basic earnings	646,822	(334,557)	100,993,948	100,972,054	0.64	(0.33)
Add back share based payment	74,868	420,286	-	-	-	-
Adjusted earnings	721,690	85,729	100,993,948	100,972,054	0.71	0.08
Effect of dilutive share options	-	-	6,315,612	5,323,653	-	-
Adjusted diluted earnings	<u>721,690</u>	<u>85,729</u>	<u>107,309,560</u>	<u>106,295,707</u>	<u>0.67</u>	<u>0.08</u>

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

10 Intangible fixed assets - Goodwill

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

Group	2016 £	2015 £
Cost		
At 1 January 2016	719,006	719,006
Additions	-	-
*Deemed disposal	(475,412)	-
At 31 December 2016	<u>243,594</u>	<u>719,006</u>
Amortisation		
At 1 January 2016	349,243	303,022
Charge for the year	11,555	46,221
*Deemed disposal	(117,204)	-
At 31 December 2016	<u>243,594</u>	<u>349,243</u>
Net book value		
At 31 December 2016	<u>-</u>	<u>369,763</u>
At 31 December 2015	<u>369,763</u>	<u>415,984</u>

*As part of the deemed disposal of Curious Drinks Limited as a subsidiary the goodwill that had arisen on purchase is now included in investment in associates and no longer included in the group accounts as goodwill.

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

11 Tangible fixed assets Group

	Freehold land and buildings £	Short term leasehold properties £	Plant and machinery £	Biological assets £
Cost or valuation				
At 1 January 2016	4,515,173	-	2,565,384	1,427,954
Additions	162,272	219,995	276,574	778,943
Disposals	-	-	(17,197)	-
*Deemed disposal	-	-	(503,010)	-
At 31 December 2016	4,677,445	219,995	2,321,751	2,206,897
Depreciation				
At 1 January 2016	758,821	-	1,028,824	5,328
Charge for the year	111,570	4,534	131,826	10,916
Disposals	-	-	(2,434)	-
*Deemed disposal	-	-	(271,378)	-
At 31 December 2016	870,391	4,534	886,838	16,244
Net book value				
At 31 December 2016	3,807,054	215,461	1,434,913	2,190,653
At 31 December 2015	3,756,352	-	1,536,560	1,422,626

	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost or valuation			
At 1 January 2016	381,508	13,781	8,903,800
Additions	167,046	-	1,604,830
Disposals	(1,000)	-	(18,197)
*Deemed disposal	-	-	(503,010)
At 31 December 2016	547,554	13,781	9,987,423
Depreciation			
At 1 January 2016	263,731	13,491	2,070,195
Charge for the year	45,387	72	304,305
Disposals	(750)	-	(3,184)
*Deemed disposal	-	-	(271,378)
At 31 December 2016	308,368	13,563	2,099,938
Net book value			
At 31 December 2016	239,186	218	7,887,485
At 31 December 2015	117,777	290	6,833,605

*As part of the deemed disposal of Curious Drinks Limited as a subsidiary the tangible fixed assets held by Curious Drinks Limited are no longer included in the group accounts as tangible fixed assets.

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

11 Tangible fixed assets (continued)

Company	Freehold land and buildings	Short term leasehold properties	Plant and machinery	Biological Assets	Total
	£	£	£	£	£
Cost or valuation					
At 1 January 2016	4,267,752	-	635,500	1,427,953	6,331,205
Additions	94,375	219,995	-	778,943	1,093,313
At 31 December 2016	<u>4,362,127</u>	<u>219,995</u>	<u>635,500</u>	<u>2,206,896</u>	<u>7,424,518</u>
Depreciation					
At 1 January 2016	662,003	-	426,909	5,328	1,094,240
Charge for the year	91,354	4,534	31,776	10,916	138,580
At 31 December 2016	<u>753,357</u>	<u>4,534</u>	<u>458,685</u>	<u>16,244</u>	<u>1,232,820</u>
Net book value					
At 31 December 2016	<u>3,608,770</u>	<u>215,461</u>	<u>176,815</u>	<u>2,190,652</u>	<u>6,191,698</u>
At 31 December 2014	<u>3,605,749</u>	<u>-</u>	<u>208,591</u>	<u>1,422,625</u>	<u>5,236,965</u>

The freehold land and buildings and plant and machinery were transferred to the company from its subsidiary English Wines Plc in 2002.

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

12 Fixed asset investments

Group	2016 £	2015 £
Associate (a)	914,577	-
	<u>914,577</u>	<u>-</u>

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

a) Associate

	Share of net assets £	Goodwill £	Total £
At 1 January 2016	-	-	-
Additions	618,840	358,208	977,048
Amortisation of goodwill	-	(34,666)	(34,666)
Share of loss for the year	(27,805)	-	(27,805)
At 31 December 2016	<u>591,035</u>	<u>323,542</u>	<u>914,577</u>

Prior to 4th April 2016 Curious Drinks Limited was a 100% subsidiary of Chapel Down Group Plc. In April 2016, Curious Drinks Limited raised funds of £1.736m for a 9.79% economic share and a 50.21% share of the voting rights in the business with Chapel Down Group Plc retaining the remaining 90.21% economic interest and the remaining 49.79% share of the voting rights.

The sale of the 50.21% share of voting rights means there was a "deemed disposal" resulting in Curious Drinks Limited being accounted for as an associate from 4th April 2016 onwards. Included within additions for the year is a gain on disposal of Curious Drinks Limited of £466,903.

Company

	Share in subsidiary undertakings £	Share in associated undertakings £	Total £
Cost or valuation			
At 1 January 2016	615,082	-	615,082
Additions	-	573,833	573,833
Deemed disposal	(565,082)	-	(565,082)
At 31 December 2016	<u>50,000</u>	<u>573,833</u>	<u>623,833</u>

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.

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

12 Fixed asset investments (continued)

Details of the investments in which the group and the parent company (unless indicated) hold 20% or more of the nominal value of any class of share capital are as follows:

Company	Country of registration or Incorporation	Class	Shares held	%
Subsidiary undertakings				
English Wines Plc	England and Wales	Ordinary		100
Chapel Down Group Limited	England and Wales	Ordinary		100
Associate undertakings				
Curious Drinks Limited	England and Wales	Ordinary		49.79

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

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

13 Stocks and work in progress

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Raw materials	-	118,378	-	-
Work in progress	3,774,137	3,692,989	-	-
Finished goods and goods for resale	686,671	1,163,518	-	-
	<u>4,460,808</u>	<u>4,974,885</u>	<u>-</u>	<u>-</u>

Stock recognised in cost of sales during the year as an expense was £4,272,897 (2015: £5,161,552).

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

14 Debtors

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Trade debtors	2,153,749	1,929,134	-	-
Other debtors	589,587	252,428	495,657	178,943
Prepayments and accrued income	97,676	159,656	19,619	97,055
	2,841,012	2,341,218	515,476	275,998

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

	2016	2015	2016	2015
	£	£	£	£
Amounts owed by group undertakings	-	-	5,672,563	5,590,992
Amounts owed by associated undertakings	1,127,407	-	949,434	-
	1,127,407	-	6,621,997	5,590,992

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.

15 Cash and cash equivalents

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Cash at bank and in hand	1,225,528	3,062,023	629,392	2,643,398
	1,225,528	3,062,023	629,392	2,643,398

16 Creditors : amounts falling due within one year

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Trade creditors	1,313,286	1,426,063	-	-
Corporation tax	54,210	369	54,210	369
Taxes and social security costs	396,194	322,342	-	-
Other creditors	555,845	479,859	-	-
Accruals and deferred income	105,080	78,045	8,228	7,416
	2,424,615	2,306,678	62,438	7,785

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

17 Creditors : amounts falling due after more than one year

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Accruals and deferred income	21,414	31,839	-	-
	<u>21,414</u>	<u>31,839</u>	<u>-</u>	<u>-</u>

18 Financial Instruments

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Financial assets				
Financial assets that are debt instruments measured at amortised cost	5,096,271	5,243,585	7,747,246	8,413,333
	<u>5,096,271</u>	<u>5,243,585</u>	<u>7,747,246</u>	<u>8,413,333</u>
Financial liabilities				
Financial liabilities measured at amortised cost	1,898,640	1,938,659	8,228	7,416
	<u>1,898,640</u>	<u>1,938,659</u>	<u>8,228</u>	<u>7,416</u>

Financial assets measured at amortised cost comprise cash at bank, trade debtors, other debtors, amounts owed by group undertakings, amounts owed by associate undertakings and accrued income.

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

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

19 Deferred taxation

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
The movements in deferred tax are as follows:				
At 1 January 2016	274,484	235,990	206,161	193,852
Deferred tax movement relating to revaluation of tangible assets	(148,264)	(18,892)	(148,264)	(18,892)
Deferred tax movement relating to share options	(65,251)	1,710	-	-
(Released)/charged to the profit and loss account during the year	64,463	55,676	343	31,201
*Deemed disposal	(18,342)	-	-	-
At 31 December 2016	<u>107,090</u>	<u>274,484</u>	<u>58,240</u>	<u>206,161</u>

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

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Accelerated capital allowances	289,508	275,119	58,240	57,897
Losses	(84,638)	(116,370)	-	-
Share options	(97,780)	(32,529)	-	-
Deferred tax on revaluation reserve	-	148,264	-	148,264
	<u>107,090</u>	<u>274,484</u>	<u>58,240</u>	<u>206,161</u>

*As part of the deemed disposal of Curious Drinks Limited as a subsidiary the deferred tax liability held by Curious Drinks Limited is no longer included in the group accounts as deferred taxation.

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 2017 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 2016

20	Share capital	2016	2015
	Group and company	£	£
	Allotted, called up and fully paid		
	100,993,948 ordinary shares of £0.05 each	5,049,698	5,049,698
	14,322,158 A1 shares of £0.00010 each	1,432	1,432
	3,800,000 A2 shares of £0.00010 each	380	380
		5,051,510	5,051,510

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 was accelerated and a notional expense of £346,669 was debited to the profit and loss account in 2015. As of December 2016 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.

21 Financial commitments

At 31 December 2016 the group's future minimum operating lease payments are as follows:

	Land and buildings		Other	
	2016	2015	2016	2015
	£	£	£	£
Expiry date:				
Within one year	226,573	172,813	84,642	63,057
Between two and five years	768,078	779,781	78,540	52,788
More than five years	2,188,538	2,327,317	-	-
	3,183,189	3,279,911	163,182	115,845

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

21 Financial commitments (continued)

At 31 December 2016 the company's future minimum operating lease payments are as follows:

	Land and buildings		Other	
	2016	2015	2016	2015
	£	£	£	£
Expiry date:				
Within one year	226,573	172,813	-	-
Between two and five years	768,078	779,781	-	-
More than five years	2,188,538	2,327,317	-	-
	<u>3,183,189</u>	<u>3,279,911</u>	<u>-</u>	<u>-</u>

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

22	Directors' emoluments	2016 £	2015 £
	Emoluments for qualifying services - directors of this Company		
	Salaries	350,000	280,000
	Pension costs	3,500	2,800
	Benefits	47,407	34,241
		<u>400,907</u>	<u>317,041</u>

The directors are considered to be the key management personnel. 3 directors (2015 - 3) are entitled to receive shares under long term incentive schemes.

The highest paid director received remuneration of £164,440 (2015 - £162,554) which included a pension contribution of £1,500 (2015 - £396) and was entitled to receive shares under long term incentive schemes.

During the year 3 (2015 - 2) directors participated in money purchase pension schemes.

23 Employees

Number of employees

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

	2016 Number	2015 Number
Administration	15	15
Production	18	18
Directors	3	3
Retail	16	15
	<u>52</u>	<u>51</u>

Employment costs	2016 £	2015 £
Wages and salaries	1,467,003	1,257,159
Social security costs	149,585	131,440
Pension costs	13,985	3,368
	<u>1,630,573</u>	<u>1,391,967</u>

Share based payments	<u>74,868</u>	<u>420,286</u>
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Employment costs include £74,868 (2015: £73,617) 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 group to accelerate the charge associated with cancelled share options. The accelerated charge in 2015 in respect of the cancelled 6,311,112 share options was £346,669 which was included within employment costs.

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

24 Share options

During the period ended 31 December 2016, the company had five share based payment arrangements in favour of employees of the Group, which are described below:

	2003	2006	2006	2009	2013	2016
		Variable price	Fixed price	Fixed price	Fixed price	Fixed price
Date of grant	11-Feb-03	27-Jan-06	27-Jan-06	11-Dec-09	15-Nov-13	26-Apr-16
Number granted	1,968,450	3,000,000	3,239,997	3,000,000	11,000,000	430,000
Amendment to existing Options (2015)					(6,311,112)	
Vesting period	3.7 years	4.4 years	4.4 years	3.6 years	4.6 years	4.0 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	4.0 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.

All of the options have an indefinite contractual life.

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, vesting period 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, vesting period 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, vesting period 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, vesting period 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, vesting period of 4.6 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 estimated fair value of each of the 430,000 share options granted in 2016 is 6.2p. This was calculated by applying the Black Scholes option pricing model. The model inputs were the share price at grant date of 33.75p, exercise price of 33p, expected volatility of 2%, no expected dividends, vesting period of 4 years and a risk free interest rate of 0.50%.

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 2016

24 Share options

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

	2003		2006		2006	
	Fixed price	Weighted	Variable price	Weighted	Fixed price	Weighted
	Number of options	average exercise price	Number of options	average exercise price	Number of options	average exercise price
Outstanding at start of year	788,124	12.5p	2,600,000	9.0p	468,526	15.0p
Exercised	-	-	-	-	-	-
Granted	-	-	-	-	-	-
Forfeited	-	-	-	-	-	-
Outstanding at end of year	788,124	12.5p	2,600,000	9.0p	468,526	15.0p
Exercisable at end of year	788,124	12.5p	2,600,000	9.0p	468,526	15.0p

	2009		2013		2016	
	Fixed price	Weighted	Fixed price	Weighted	Fixed price	Weighted
	Number of options	average exercise price	Number of options	average exercise price	Number of options	average exercise price
Outstanding at start of year	1,491,800	10.0p	4,688,888	17.0p	-	-
Exercised	-	-	-	-	-	-
Granted	-	-	-	-	430,000	33.0p
Forfeited	-	-	-	-	-	-
Outstanding at end of year	1,491,800	10.0p	4,688,888	17.0p	430,000	33.0p
Exercisable at end of year	1,491,800	10.0p	-	-	-	-

The options outstanding at 31 December 2016 had exercise prices of 10p, 12.5p, 15p, 17p, 33p and 5-15p, and a weighted average remaining contractual life of 0.5 years (2015: 1.5 years).

	Total	2003 Fixed Price	2006 Variable Price	2006 Fixed Price	2009 Fixed Price	2013 Fixed Price	2016 Fixed Price
Expense arising from share based payment transactions: share option plans							
2016	74,868	-	-	-	-	73,819	1,049
2015	420,286	-	-	-	-	420,286	-

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

25 Ultimate Controlling Party

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

26 Related party transactions

The company has taken advantage of the exemption in FRS 102, section 33 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 interest of £17,005 and a management charge of £177,973 was charged to Curious Drinks Limited, an associate of the group. At 31 December 2016 £1,127,407 was owed to the group by Curious Drinks Limited.

Fees of £176,833 (2015 - £140,000) and expenses of £2,406 (2015 - £384) were payable to related parties in respect of investment monitoring, consultancy fees and non-executive director services. At the year-end a balance of £28,333 (2015 - £56,666) was outstanding.

27 Capital commitments

At 31 December 2016 the company had capital commitments totalling £275,325 (2015 -77,962) for vines for planting in 2017 and the renovation of old offices.

28 Contingent liabilities

At 31 December 2016 there was a guarantee in place in favour of Her Majesty's Revenue and Customs for £270,000 (2015 - £nil).