

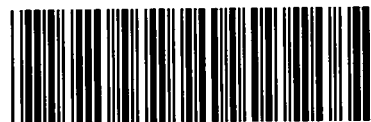
Company Registration No. 04362181 (England and Wales)

CHAPEL DOWN GROUP PLC

ANNUAL REPORT

**FOR THE YEAR ENDED
31 DECEMBER 2013**

WEDNESDAY



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COMPANIES HOUSE

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
Secretary	R.A.B. Woodhouse
Company number	04362181
Registered office	Chapel Down Winery, Small Hythe Road Tenterden Kent TN30 7NG
Registered auditors	Crowe Clark Whitehill LLP Chartered Accountants & Statutory Auditors 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	Vertex Law 23 Kings Hill Avenue Kings Hill West Malling Kent ME19 4UA

CHAPEL DOWN GROUP PLC

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CHAPEL DOWN GROUP PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

Summary

Chapel Down Group PLC is pleased to announce the Group's results for the 12 month period ended 31 December 2013.

Key highlights include:

- Year on year sales up 4% on last year at a record £5,033k
- EBITDA of £454k (2012: £830k)*
- Pre-tax profit of £68k (2012: £414k)
- An excellent harvest in 2013 in terms of volume and quality
- 10% increase in average selling price for Chapel Down wines
- Exceptional growth in beer with a 119% increase in turnover
- £4.35m of new funding to accelerate growth and expansion
- 3 Gold Medals at the Decanter World Wine Awards. Only 229 are awarded globally.

Despite the fall in profits, which we had anticipated due to the low harvests in 2011 and 2012 this has been a good year. There has been very good progress on a number of fronts: we have been able to retain our most important clients, provide excellent service to all our critical accounts and listings, significantly increase our beer sales to ensure our top line continues to grow and we have made further inroads in our export ambitions. Furthermore, we have enjoyed an excellent harvest in 2013 and raised £4.35m of new funding to accelerate our growth plans. We are confident of a very bright and exciting future.

PERFORMANCE REVIEW

Our financial performance has inevitably been affected by the low levels of grape harvest in 2011 and 2012. Since July 2012, when the 2012 harvest was evidently going to be low following a very weak flowering period, the Group has had to rein back its wine volume growth to ensure its ability to maintain supply to key customers. Whilst it is unusual to have had two low yielding harvests in a row, our development of reserve stocks and great relationships with key customers has enabled us to trade through successfully.

In spite of the lack of stock requiring a 24% fall in the volume of wine sold, the overall sales revenue increased 4% to a record £5,033,361. A 10% increase in average selling price (ex-duty and VAT) of our wines and a 119% increase in the sales of Curious Beers contributed to this position. Whilst this has meant making some difficult choices in allocating stock to ensure we maintain a loyal high profile customer base, we have managed to maintain wide availability to consumers and sustainable prices to continue to raise the brand's profile.

As a consequence the Group made a pre-tax profit of £67,722* (2012: £413,829)* and an EBITDA of £453,604* compared with £830,010* in the prior year.

Fortunately, the timely development of our unique award-winning Curious beer has given the Group a new and profitable income stream in the exciting high growth "Craft beer" category and shareholders should be enthusiastic about the growth potential reflected in its 119% increase in turnover and £366k gross profit contribution. We are delighted with this performance.

BUSINESS RISKS AND UNCERTAINTIES

It is pleasing to start to see an uplift in the UK economy, as this remains our primary market. However, we will be further broadening our geographic reach through exports of our sparkling wines and beers.

Wine duty is up a staggering 52% since 2008 and whilst the Chancellor has stopped the duty escalator, our young industry would benefit from these revenues being re-invested for growth. Regardless of future duty increases, maintaining a strong brand is our best defence.

There is a risk that, through extreme weather events, we suffer a poor harvest. The company maintains the highest standards of viticulture, has rigorous site selection and uses technology to mitigate risk. We source from a wide geographic area to minimise micro-climate risks. The Group has also diversified into beer.

Competition in English wines and Craft beers is extensive. Chapel Down continues to invest people, brands and distribution to ensure the business can continue to thrive.

CHAPEL DOWN GROUP PLC

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

OUTLOOK

Following two low yielding years which have depleted stocks, we were pleased that the 2013 harvest was not blighted by poor weather at crucial times and yielded a good quality and substantially improved quantity of fruit which are required to replenish stock levels of our wines.

Despite the challenging business and investment environment, the team was delighted to secure £4.35m of new funding at the beginning of July at a premium to the prevailing share price. The new funds will ensure the Group continues to thrive, whatever the weather. Immediate plans include expanding the wine production by securing more fruit. This will be achieved through planting and contracting more vineyards, improving the winery production and facilities and growing beer sales further.

Our assets are extremely strong: land - and high quality vined land in particular - continues to appreciate as evidenced by recent transactions. In addition, our brand assets are more valuable than ever and our limited stock more in demand than ever.

We are also delighted to welcome our new Board members, John Dunsmore (former CEO of Scottish and Newcastle and C&C Magners cider) and Jamie Brooke (Henderson Asset Management) whose appointments will further enhance the strength and expertise of the Board. This, coupled with the existing management's experience and the strength of the Chapel Down brand mean that the Board remain confident that the prospects for the Group are excellent.



Paul Brett
Chairman

23 April 2014

*Excludes the effect of the FRS20 share option accounting adjustment.

CHAPEL DOWN GROUP PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

The directors present their report and financial statements for the year ended 31 December 2013.

Directors

The following directors have held office since 1 January 2013 unless otherwise stated:

P. Brett
J.D. Brooke (appointed 05.08.13)
J.M. Dunsmore (appointed 05.08.13)
F.D. Thompson
R.A.B. Woodhouse
N.W. Wray

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 1 and 2.

Results and dividends

The consolidated profit and loss account for the year is set out on page 7.

The directors do not recommend payment of an ordinary dividend.

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 have taken notice of the Financial Reporting Council guidance 'Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009' which requires the reasons for this decision to be explained. 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.

Auditors

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

Statement of Directors' responsibilities

The directors are responsible for preparing the Directors' 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 of the profit or loss of the company for that period. In preparing these financial statements, the directors' are required to:

- select suitable accounting policies 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CHAPEL DOWN GROUP PLC

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

Provision of information to auditors

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's auditors are 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's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

On behalf of the board



F.D. Thompson
Director
23 April 2014

CHAPEL DOWN GROUP PLC

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CHAPEL DOWN GROUP PLC FOR THE YEAR ENDED 31 DECEMBER 2013

We have audited the group and parent company financial statements of Chapel Down Group PLC for the year ended 31 December 2013, set out on pages 7 to 26. 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 2013 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 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 2013

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.



Mark Anderson (Senior Statutory Auditor)

For and on behalf of

Crowe Clark Whitehill LLP
Statutory Auditor

4 Mount Ephraim Road
Tunbridge Wells
Kent
TN1 1EE

23 April 2014

CHAPEL DOWN GROUP PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 £	2012 £
Turnover	2	5,033,361	4,845,216
Cost of sales		<u>(3,150,774)</u>	<u>(2,846,166)</u>
Gross profit		1,882,587	1,999,050
Administrative expenses before share based payment	(1,704,224)	(1,407,275)	
Share based payment (FRS 20)	<u>(44,149)</u>	<u>(43,701)</u>	
Administrative expenses after share based payment		<u>(1,748,373)</u>	<u>(1,450,976)</u>
Operating profit	3	134,214	548,074
Other interest receivable and similar income		3,069	451
Interest payable and similar charges	4	<u>(113,710)</u>	<u>(178,397)</u>
Profit on ordinary activities before taxation		23,573	370,128
Tax on profit on ordinary activities	5	<u>12,231</u>	<u>(127,228)</u>
Profit on ordinary activities after taxation		35,804	242,900
Minority interest		<u>(7,354)</u>	<u>3,641</u>
Retained profit for the year		<u>28,450</u>	<u>246,541</u>
Profit on ordinary activities before taxation - excluding FRS 20 share based payments		<u>67,722</u>	<u>413,829</u>
EBITDA excl FRS20 adj.		<u>453,604</u>	<u>830,010</u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

Earnings per share (pence)	7		
- basic		0.05	0.54
- diluted		0.05	0.52

CHAPEL DOWN GROUP PLC

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 £	2012 £
Profit for the financial year	28,450	246,541
Total gains and losses recognised since last financial statements	<u>28,450</u>	<u>246,541</u>
Note of historical cost profits and losses		
	2013 £	2012 £
Reported profit on ordinary activities before taxation	23,573	370,128
Difference between an historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	<u>38,631</u>	<u>38,631</u>
Historical cost profit on ordinary activities before taxation	<u>62,204</u>	<u>408,759</u>
Historical cost profit for the year retained after taxation, exceptional items and dividends	<u>62,204</u>	<u>408,759</u>

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

BALANCE SHEETS
FOR THE YEAR ENDED 31 DECEMBER 2013

		Group		Company	
	Notes	2013 £	2012 £	2013 £	2012 £
Fixed assets					
Intangible assets	8	518,043	72,077	55,837	72,077
Tangible assets	9	5,315,922	5,004,334	4,206,456	4,148,915
Investments	10	-	-	615,082	120,000
		<u>5,833,965</u>	<u>5,076,411</u>	<u>4,877,375</u>	<u>4,340,992</u>
Current assets					
Stocks	11	3,391,591	2,893,894	-	-
Debtors	12	1,073,006	648,368	3,872,628	3,489,966
Cash at bank and in hand		<u>4,077,734</u>	<u>757,199</u>	<u>3,526,193</u>	<u>6,069</u>
		<u>8,542,331</u>	<u>4,299,461</u>	<u>7,398,821</u>	<u>3,496,035</u>
Creditors: amounts falling due within one year	13	(1,448,535)	(1,695,341)	(172,205)	(902,077)
Net current assets		<u>7,093,796</u>	<u>2,604,120</u>	<u>7,226,616</u>	<u>2,593,958</u>
Total assets less current liabilities		<u>12,927,761</u>	<u>7,680,531</u>	<u>12,103,991</u>	<u>6,934,950</u>
Creditors: amounts falling due after more than one year	14	(1,672,909)	(2,141,915)	(1,652,293)	(2,120,479)
Provisions for liabilities					
Deferred tax	15	(89,409)	(84,851)	-	(8,040)
		<u>11,165,443</u>	<u>5,453,765</u>	<u>10,451,698</u>	<u>4,806,431</u>
Capital and reserves					
Called up share capital	16	4,299,464	2,240,948	4,299,464	2,240,948
Share premium account	17	5,592,973	2,000,094	5,592,973	2,000,094
Revaluation reserve	17	1,299,176	1,337,807	1,143,973	1,174,277
Share option reserve	17	320,473	462,695	-	-
Minority interest	17	-	12,316	-	-
Profit and loss account	17	<u>(346,643)</u>	<u>(600,095)</u>	<u>(584,712)</u>	<u>(608,888)</u>
Shareholders' funds	18	<u>11,165,443</u>	<u>5,453,765</u>	<u>10,451,698</u>	<u>4,806,431</u>

Approved by the Board and authorised for issue on 23 April 2014



F.D. Thompson
Director



R.A.B. Woodhouse
Director

CHAPEL DOWN GROUP PLC

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

	Cash Flow Notes	2013 £	2012 £
Net cash inflow from operating activities	1	100,157	501,307
Returns on investments and servicing of finance			
Interest received	3,069	451	
Interest paid	<u>(113,710)</u>	<u>(178,397)</u>	
Net cash outflow for returns on investments and servicing of finance		(110,641)	(177,946)
Taxation		(14,280)	(117)
Capital expenditure			
Payments to acquire minority stake in subsidiary	(495,082)	-	
Payments to acquire tangible assets	<u>(557,383)</u>	<u>(230,084)</u>	
Net cash outflow for capital expenditure		<u>(1,052,465)</u>	<u>(230,084)</u>
Net cash inflow/(outflow) before management of liquid resources and financing		(1,077,229)	93,160
Financing			
Proceeds from issue of ordinary share capital	4,854,326	-	
Costs of share issue	<u>(302,931)</u>	<u>-</u>	
		4,551,395	-
New long term loans	815,315	-	
Repayment of long term bank loan	(183,501)	(163,158)	
Repayment of short term bank loan	<u>(785,445)</u>	<u>(8,194)</u>	
Net cash inflow/(outflow) from financing	2	<u>(153,631)</u>	<u>(171,352)</u>
Increase/(decrease) in cash in year	2	<u><u>3,320,535</u></u>	<u><u>(78,192)</u></u>

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

1	Reconciliation of operating profit to net cash inflow from operating activities			2013	2012
				£	£
	Operating profit			134,214	548,074
	Depreciation of tangible assets			245,795	221,995
	Loss on disposal of assets			-	-
	Amortisation of intangible assets			29,446	16,240
	Share based payments			44,149	43,701
	Decrease/(Increase) in stocks			(497,697)	62,187
	Increase in debtors			(410,359)	(15,417)
	(Decrease)/Increase in creditors			554,609	(375,473)
	Net cash inflow from operating activities			100,157	501,307

2	Analysis of net funds/(debt)	1 January 2013	Cash flow	Other non-cash changes	31 December 2013
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	757,199	3,320,535	-	4,077,734
		757,199	3,320,535	-	4,077,734
	Finance leases	-	-	-	-
	Debts falling due within one year	(922,213)	785,445	-	(136,768)
	Debts falling due after one year	(2,120,479)	(631,814)	1,100,000	(1,652,293)
		(3,042,692)	153,631	1,100,000	(1,789,061)
	Net (debt)/funds	(2,285,493)	3,474,166	1,100,000	2,288,673

3	Reconciliation of net cash flow to movement in net funds/(debt)		2013	2012
			£	£
	Increase/(decrease) in cash in the year		3,320,535	(78,192)
	Cash outflow from decrease in debt		1,253,631	167,507
	Movement in net debt in the year		4,574,166	89,315
	Opening net debt		(2,285,493)	(2,374,808)
	Closing net funds/(debt)		2,288,673	(2,285,493)

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of freehold land and buildings and in accordance with applicable accounting standards.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

1.3 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 2013. 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 17.

1.4 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.
Revenue for trade sales is recognised at the point of despatch and retail sales at the point of customer purchase.

1.5 Goodwill

Acquired goodwill is written off in equal instalments over 15 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 fifteen years.

1.6 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
Fixtures, fittings and equipment	15% reducing balance
Computer equipment	Straight line over 3 years
Motor vehicles	25% reducing balance

Freehold land and buildings are revalued in accordance with FRS 15 which requires a full valuation every five years and an interim valuation every third year.

1.7 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.8 Investments

Fixed asset investments are stated at cost less provision for permanent diminution in value.

1.9 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 company's activities.

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

1 Accounting policies (continued)

1.10 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.

Deferred tax assets and liabilities are not discounted.

1.11 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.

1.12 Convertible loan stock

On 1st July 2009 the company issued convertible loan notes amounting to £1,100,000 which include the option to convert to equity. Under FRS 25 the directors are required to fair value the liability and any excess over the amount issued is treated as equity. The directors have carried out a valuation and as the difference is insignificant no adjustment has been made in the financial statements. These notes incurred an interest rate of 8% and were converted on 5 July, 2013.

1.13 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 have taken notice of the Financial Reporting Council guidance 'Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009' which requires the reasons for this decision to be explained. The directors believe that the Company has sufficient resources to continue in operational existence for the foreseeable future. The directors believe this to be the case as the Company has positive reserves and cash balances. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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.

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 2013

2 Turnover

The total turnover of the group for the year has been derived from its principal activity.

Segmental analysis by geographical area

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

	2013 £	2012 £
Geographical segment		
UK	4,990,280	4,812,610
Other EU	11,824	21,647
Non EU	31,257	10,959
	<u>5,033,361</u>	<u>4,845,216</u>

3 Operating profit

	2013 £	2012 £
Operating profit is stated after charging:		
Depreciation of intangible assets	29,446	16,240
Depreciation of tangible assets	245,795	221,995
Loss on foreign exchange transactions	12,053	(3,816)
Operating lease rentals	67,108	63,882
Fees payable to the company's auditor for the audit of the company's annual accounts	4,750	4,625
Fees payable to the company's auditor for other services		
- The audit of the company's subsidiaries	14,250	13,875
- Other services pursuant to legislation	625	3,240
- Tax services	5,000	4,900
	<u>113,710</u>	<u>178,397</u>

4 Interest payable

	2013 £	2012 £
On bank loans and overdrafts	113,710	178,397
Interest Paid	<u>113,710</u>	<u>178,397</u>

At 31 December 2013 the group and company held a 5 year interest rate swap that reduced the company's exposure to variability in cash-flows resulting from movements in base rate. This interest rate swap expires on 23 February 2014. During the period to 31 December 2013 no amount was recognised for the loss or gain to date on the effective hedge as the directors do not consider the amount to be significant.

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

5 Taxation

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Current tax				
UK corporation tax charge on profit for year	(14,280)	17,158	-	369
Adjustments in respect of prior years	(2,509)	117	-	-
	<u>(16,789)</u>	<u>17,275</u>	<u>-</u>	<u>369</u>
Deferred tax				
Origination and reversal of timing differences	11,748	115,573	(10,942)	28,778
Adjustments in respect of prior periods	4,446	1,758	1,710	-
Effect of change in deferred tax rate	(11,636)	(7,378)	1,192	(699)
Total deferred tax	<u>4,558</u>	<u>109,953</u>	<u>(8,040)</u>	<u>28,079</u>
Tax on profit on ordinary activity	<u>(12,231)</u>	<u>127,228</u>	<u>(8,040)</u>	<u>28,448</u>

Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK 24.5% (2012: 26.5%)
The differences are explained below:

Profit per accounts	<u>23,573</u>	<u>370,128</u>	<u>(14,168)</u>	<u>10,343</u>
Tax on profit on ordinary activities at standard CT rate of 23% (2012: 24.5%)	5,422	90,682	(3,259)	2,534
Effects of :				
Capital allowances in excess of depreciation	(58,359)	(14,627)	(2,374)	(4,139)
Ineligible depreciation and amortisation	28,475	28,137	24,592	26,120
Expenses not deductible for tax purposes	14,194	15,672	-	-
(Utilisation of tax losses)/unused losses	47,596	(98,845)	21,261	(24,063)
Share option exercise relief	(16,568)	-	-	-
Loan note conversion	(40,220)	-	(40,220)	-
Marginal relief	-	(3,861)	-	(83)
Adjustments to tax charge in respect of previous year	(2,509)	117	-	-
Losses carried back at lower tax rate	5,180	-	-	-
Current tax charge	<u>(16,789)</u>	<u>17,275</u>	<u>-</u>	<u>369</u>

Estimated tax losses of the parent company to carry forward are £113,332. The losses can be set against future profits arising from the same trade.

6 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 loss for the financial year is made up as follows:

	2013	2012
	£	£
Parent company's loss for the financial period	<u>(6,128)</u>	<u>(18,105)</u>

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

7 Earnings per share

The calculation of basic earnings per share is based on the profit after tax and on a weighted average number of ordinary shares in issue during the period. The diluted earnings per share allows for the full exercise of outstanding share options and warrants.

	Profit/(loss) after tax		Weighted average number of shares		Earnings per share	
	2013 £	2012 £	2013	2012	2013 pence	2012 pence
Basic earnings	35,804	242,900	65,404,114	44,818,946	0.05	0.54
Effect of dilutive share options	-	-	5,248,088	1,994,742	-	-
Diluted earnings	<u>35,804</u>	<u>242,900</u>	<u>70,652,202</u>	<u>46,813,688</u>	<u>0.05</u>	<u>0.52</u>

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

8 Intangible fixed assets Group

Goodwill

£

Cost

At 1 January 2013

243,594

Additions

475,412

At 31 December 2013

719,006

Amortisation

At 1 January 2013

171,517

Charge for the year

29,446

At 31 December 2013

200,963

Net book value

At 31 December 2013

518,043

At 31 December 2012

72,077

Goodwill brought forward was valued in 2002 on a fair value basis. The historical cost of goodwill is £691,507 (2012: £216,094). The provision for amortisation based on historical cost would have been £173,322 (2012: £146,451) and the charge for the year would have been £26,872. The goodwill additions in the year of £475,413 represent the goodwill arising on the acquisition of the 30% minority interest in Curious Drinks Limited.

Company

Goodwill

£

Cost

At 1 January 2013

243,594

Additions

-

At 31 December 2013

243,594

Amortisation

At 1 January 2013

171,517

Charge for the year

16,240

At 31 December 2013

187,757

Net book value

At 31 December 2013

55,837

At 31 December 2012

72,077

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

9 Tangible fixed assets Group

	Freehold land and buildings	Plant and machinery
	£	£
Cost or valuation		
At 1 January 2013	4,386,677	1,547,897
Additions	222,865	319,472
Disposals	-	-
At 31 December 2013	4,609,542	1,867,369
Depreciation		
At 1 January 2013	431,025	585,254
Charge for the year	107,566	115,996
Eliminated on disposal	-	-
At 31 December 2013	538,591	701,250
Net book value		
At 31 December 2013	4,070,951	1,166,119
At 31 December 2012	3,955,652	962,643

	Fixtures, fittings and equipment	Motor vehicles	Total
	£	£	£
Cost or valuation			
At 1 January 2013	256,655	13,781	6,205,010
Additions	15,046	-	557,383
Disposals	-	-	-
At 31 December 2013	271,701	13,781	6,762,393
Depreciation			
At 1 January 2013	171,303	13,094	1,200,676
Charge for the year	22,061	172	245,795
Eliminated on disposal	-	-	-
At 31 December 2013	193,364	13,266	1,446,471
Net book value			
At 31 December 2013	78,337	515	5,315,922
At 31 December 2012	85,352	687	5,004,334

A valuation was carried out by Savills Plc on the 17 April 2012 on the basis of open market value in accordance with RICS appraisal and valuation standards. An additional valuation of the two vineyard sites was carried out by the directors. No adjustment has been made to the financial statements because in the opinion of the directors the current market valuation is not significantly different to the carrying value as at 31 December 2011 and 2012. The historical cost of freehold land and buildings is £3,125,227 (2012: £2,902,361). The plant and machinery was valued by Edward Symmons and Partners, Surveyors on 26 February 2002. The historical cost of the plant and machinery is £1,846,005 (2012: £1,526,534). Accumulated depreciation based on the historical cost would have been: freehold land and buildings £338,460 (2012: £264,650) and plant and machinery £681,029 (2012: £567,336). The depreciation charge for the year based on historical cost would have been: freehold land and buildings £73,811 and plant and machinery £113,694. Assets costing £702,715 and with accumulated depreciation £35,288 are held for use under operating leases.

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

9 Tangible fixed assets (continued)

Company	Freehold land and buildings £	Plant and machinery £	Total £
Cost or valuation			
At 1 January 2013	4,234,217	635,500	4,869,717
Additions	180,001	-	180,001
Disposals	-	-	-
At 31 December 2013	4,414,218	635,500	5,049,718
Depreciation			
At 1 January 2013	389,211	331,591	720,802
Charge for the year	90,684	31,776	122,460
	-	-	-
At 31 December 2013	479,895	363,367	843,262
Net book value			
At 31 December 2013	3,934,323	272,133	4,206,456
At 31 December 2012	3,845,006	303,909	4,148,915

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.

10 Fixed asset investments

Company	Shares in group undertakings £
Cost or valuation	
At 1 January 2013	120,000
Additions	495,082
At 31 December 2013	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 %
Subsidiary undertakings			
English Wines Plc	England and Wales	Ordinary	100
Curious Drinks Limited	England and Wales	Ordinary	100

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 PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

11 Stocks and work in progress

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Work in progress	3,166,705	2,416,084	-	-
Finished goods and goods for resale	224,886	477,810	-	-
	<u>3,391,591</u>	<u>2,893,894</u>	<u>-</u>	<u>-</u>

12 Debtors

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Trade debtors	955,614	562,346	-	-
Amounts owed by group undertakings	-	-	3,864,240	3,489,966
Other debtors	54,531	41,038	8,388	-
Prepayments and accrued income	48,582	44,984	-	-
Corporation tax	14,279	-	-	-
	<u>1,073,006</u>	<u>648,368</u>	<u>3,872,628</u>	<u>3,489,966</u>

Amounts falling due after more than one year and included in the debtors above are:

	2013	2012	2013	2012
	£	£	£	£
Amounts owed by group undertakings	<u>-</u>	<u>-</u>	<u>3,864,240</u>	<u>3,489,966</u>

13 Creditors : amounts falling due within one year

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Bank loans and overdrafts	136,768	922,213	136,768	888,570
Trade creditors	589,531	279,632	-	-
Corporation tax	369	17,159	369	369
Taxes and social security costs	294,072	164,698	-	-
Other creditors	360,991	252,189	28,600	6,702
Accruals and deferred income	66,804	59,450	6,468	6,436
	<u>1,448,535</u>	<u>1,695,341</u>	<u>172,205</u>	<u>902,077</u>

The bank loans and overdraft are secured by a charge over the assets of the company and by way of a cross guarantee given by English Wines PLC. A debenture has been given in favour of Chapel Down Group PLC over the assets English Wines PLC. This debenture ranks secondary behind security given to Barclays Bank Plc.

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

14 Creditors : amounts falling due after more than one year

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Bank loans	1,652,293	1,020,479	1,652,293	1,020,479
Loan notes	-	1,100,000	-	1,100,000
Accruals and deferred income	20,616	21,436	-	-
	<u>1,672,909</u>	<u>2,141,915</u>	<u>1,652,293</u>	<u>2,120,479</u>
Analysis of loans				
Not wholly repayable within five years by instalments:				
Commercial mortgage	363,173	665,637	363,173	665,637
Shareholder loans	-	1,100,000	-	1,100,000
Wholly repayable within five years	1,425,888	1,277,055	1,425,888	1,243,412
	<u>1,789,061</u>	<u>3,042,692</u>	<u>1,789,061</u>	<u>3,009,049</u>
Included in current liabilities	(136,768)	(922,213)	(136,768)	(888,570)
	<u>1,652,293</u>	<u>2,120,479</u>	<u>1,652,293</u>	<u>2,120,479</u>
Instalments not due within five years	<u>363,173</u>	<u>665,637</u>	<u>363,173</u>	<u>665,637</u>
Loan maturity analysis				
In more than one year but not more than two years	140,219	85,422	140,219	85,422
In more than two years but not more than five years	1,148,901	269,420	1,148,901	269,420
In more than five years	<u>363,173</u>	<u>665,637</u>	<u>363,173</u>	<u>665,637</u>

The bank loans and overdraft are secured by a charge over the assets of the company and by way of a cross guarantee given by English Wines PLC. A debenture has been given in favour of Chapel Down Group PLC over the assets of English Wines PLC. This debenture ranks secondary behind security given to Barclays Bank Plc.

The bank loans are due to be repaid over varying periods between July 2016 and June 2022. The loans are at commercial rates linked to the Bank of England base rate. The shareholders loan of £1,100,000 was converted in July 2013.

15 Deferred taxation

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
The movements in deferred tax are as follows:				
At 1 January 2013	84,851	(25,101)	8,040	(20,039)
(Released)/charged during year	4,558	109,952	(8,040)	28,079
At 31 December 2013	<u>89,409</u>	<u>84,851</u>	<u>-</u>	<u>8,040</u>
The deferred tax (asset)/liability is made up as follows:				
	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Accelerated capital allowances	130,623	88,150	13,412	11,339
Losses	(41,214)	(3,299)	(13,412)	(3,299)
	<u>89,409</u>	<u>84,851</u>	<u>-</u>	<u>8,040</u>

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

16 Share capital	2013	2012
	£	£
Allotted, called up and fully paid		
85,989,282 Ordinary shares of 5p each	<u>4,299,464</u>	<u>2,240,948</u>

During the year the Company issued 25,572,009 new shares at 5p per share and the proceeds on issue less expenses were £4,044,315. Loan notes with the value of £1,100,000 were also converted into 11,518,324 shares, the premium on conversion was £524,084. A further 4,080,000 share options were exercised during the year and the proceeds received on exercise were £507,082.

788,124 unissued ordinary shares of 5p each are covered by a share option agreement and these are exercisable at 12.5p per share. A further 3,928,526 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 2013.

A further 11,000,000 unissued ordinary shares of 5p each are covered by various share option agreements and these are exercisable at 17p per share after 1 July 2017.

Company

Share capital	2013	2012
	£	£
Allotted, called up and fully paid		
85,989,282 Ordinary shares of 5p each	<u>4,299,464</u>	<u>2,240,948</u>

17 Statement of movements on reserves Group

	Share premium account £	Revaluation reserve £	Share option reserve £	Minority Interest £	Profit and loss account £
Balance at 1 January 2013	2,000,094	1,337,807	462,695	12,316	(600,095)
Profit for the year	-	-	-	-	28,450
Premium on issue of shares net of expenses	3,592,879	-	-	-	-
Transfer from revaluation reserve to profit and loss account	-	(38,631)	-	-	38,631
Transfer on exercise of share options	-	-	(186,371)	-	186,371
Movement during year	-	-	44,149	-	-
Minority interest	-	-	-	(12,316)	-
Balance at 31 December 2013	<u>5,592,973</u>	<u>1,299,176</u>	<u>320,473</u>	<u>-</u>	<u>(346,643)</u>

Company

	Share premium account £	Revaluation reserve £	Profit and loss account £
Balance at 1 January 2013	2,000,094	1,174,277	(608,888)
Loss for the year	-	-	(6,128)
Premium on issue of shares net of expenses	3,592,879	-	-
Transfer from revaluation reserve to profit and loss account	-	(30,304)	30,304
Balance at 31 December 2013	<u>5,592,973</u>	<u>1,143,973</u>	<u>(584,712)</u>

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

18	Reconciliation of movements in shareholders' funds Group	2013 £	2012 £
	Profit for the financial year	28,450	246,541
	Issue of shares	2,058,516	-
	Costs of share issue	(302,931)	-
	Premium on share issue	3,895,810	-
	Minority interest	(12,316)	(3,641)
	Movement during year	44,149	43,701
	Net increase in shareholders' funds	5,711,678	286,601
	Opening shareholders' funds	5,453,765	5,167,164
	Closing shareholders' funds	11,165,443	5,453,765
		2013 £	2012 £
	Company		
	(Loss) for the financial year	(6,128)	(18,105)
	Issue of shares	2,058,516	-
	Costs of share issue	(302,931)	-
	Premium on share issue	3,895,810	-
	Net (depletion)/increase in shareholders' funds	5,645,267	(18,105)
	Opening shareholders' funds	4,806,431	4,824,536
	Closing shareholders' funds	10,451,698	4,806,431

19 Financial commitments

At 31 December 2013 the group had annual commitments under non-cancellable operating leases as follow:

	Land and buildings		Other	
	2013 £	2012 £	2013 £	2012 £
Expiry date:				
Within one year	-	14,000	13,875	21,685
Between two and five years	24,000	14,000	16,200	18,540
	24,000	28,000	30,075	40,225

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

20	Directors' emoluments	2013	2012
		£	£
	Emoluments for qualifying services	<u>247,420</u>	<u>230,910</u>

2 directors are entitled to receive shares under long term incentive schemes and exercised share options during the year.

The highest paid director received remuneration of £153,637 (2012 - £144,996) and was entitled to receive shares under long term incentive schemes. This director also exercised share options during the year.

21 Employees

Number of employees

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

	2013	2012
	Number	Number
Administration	9	8
Production	14	14
Directors	2	2
Retail	<u>13</u>	<u>12</u>
	<u>38</u>	<u>36</u>

Employment costs

	2013	2012
	£	£
Wages and salaries	866,229	801,155
Social security costs	<u>89,041</u>	<u>81,274</u>
	<u>955,270</u>	<u>882,429</u>
Share based payments	<u>44,149</u>	<u>43,701</u>

Employment costs include £44,149 (2012: £43,701) relating to the effect of adopting the FRS20 accounting standard. This standard requires the directors to attribute a notional cost of non-cash share option agreements to the business.

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

22 Share options

During the period ended 31 December 2013, 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 February 2003	27 January 2006	27 January 2006	11 December 2009	15 November 2013
Number granted	1,968,450	3,000,000	3,986,663	3,000,000	11,000,000
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 3,986,663 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 11,000,000 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 4.6 years and a risk free interest rate of 0.50%.

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

22 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	1,968,450	12.5p	3,000,000	9.0p	2,320,000	15.0p	3,000,000	10.0p	-	-
Exercised	(1,180,326)	12.5p	-	-	(1,391,474)	15.0p	(1,508,200)	10.0p	-	-
Granted	-	-	-	-	-	-	-	-	11,200,000	17.0p
Forfeited	-	-	-	-	-	-	-	-	(200,000)	17.0p
Outstanding at end of year	788,124	12.5p	3,000,000	9.0p	928,526	15.0p	1,491,800	10.0p	11,000,000	17.0p
Exercisable at end of year	788,124	12.5p	3,000,000	9.0p	928,526	15.0p	1,491,800	10.0p	-	-

The options outstanding at 31 December 2013 had exercise prices of 10p, 15p, 12.5p and 5-15p, and a weighted average remaining contractual life of 4.5 years (2012: 1 year).

	Total	2003	2006 Variable Price	2006 Fixed Price	2009 Fixed Price	2013 Fixed Price
Expense arising from share based payment transactions : share option plans 2013	44,149	-	-	-	21,910	22,239
2012	43,701	-	24,595	(26,990)	46,096	-

23 Ultimate Controlling Party

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

24 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with subsidiaries on the grounds that consolidated financial statements are prepared by the parent company.

On 8 July 2013 Chapel Down Group PLC acquired the outstanding 30% of Curious Drinks Limited that was owned jointly by Frazer Thompson (Director), Richard Woodhouse (Director) and Guy Tresnan for a total of £495,082. The entire consideration was re-invested in Chapel Down Group PLC by exercising 4,000,000 options.

Fees of £8,333 (2012: £nil) were payable to P Brett for his services as a non-executive director of the company. At the year end a balance of £3,333 (2012: £nil) was outstanding.

Fees of £8,333 (2012: £nil) were payable to Brendon Street Investments Limited and £3,333 (2012: £nil) was outstanding at the year end. N Wray, a non-executive director of the company, is also a director of Brendon Street Investments Limited.

Fees of £25,000 (2012: £nil) were payable to The Alphagen Volantis Catalyst Fund Limited and £25,000 (2012: £nil) was outstanding at the year end. J Brooke, a non-executive director of the company, is also an investment manager at Henderson Alternative Investment Advisor Limited which is the discretionary investment manager of The Alphagen Volantis Catalyst Fund Limited.

Fees of £25,000 (2012: £nil) were payable to Hothouse Brands Limited and £12,500 (2012: £nil) was outstanding at the year end. J Dunsmore, a non-executive director of the company, is also a director of Hothouse Brands Limited.

25 Capital commitments

At 31 December 2013 the company had no commitments