

Registered number: 04362181

CHAPEL DOWN GROUP PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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CHAPEL DOWN GROUP PLC

COMPANY INFORMATION

Directors

J. D. Brooke
A. Carter
R. A. C. Smith
N. W. Wray
M. R. Glenn
S. Gilliland
S. H. Emeny
S. A. Wren

Secretary

R. A. C. Smith

Company number

04362181

Registered office

Chapel Down Winery
Small Hythe Road
Tenterden
Kent
TN30 7NG

Independent auditor

Crowe U.K. LLP
Riverside House
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ME14 1JH

Bankers

HSBC Bank Plc
West London Corporate Centre
2nd Floor, Space One
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London
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CHAPEL DOWN GROUP PLC

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CHAPEL DOWN GROUP PLC

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The chairman presents his statement for the period.

I am delighted to announce another period of progress in the results for the year ended 31 December 2022.

Key highlights

- Full year Net Sales Revenue (NSR), which excludes duty, grew 10% to £15.6m (2021: £14.3m). Strong H2 performance, with NSR growth of 14%, gives good growth momentum into 2023.
- Strong growth in traditional method sparkling wine sales revenue, up 53% to £9.6m (2021: £6.2m) with an annual record volume of 790,000 bottles sold (2021: 522,000).
- NSR growth delivered despite the expected 10% volume reduction overall due to lower availability of still wines following the comparatively weaker 2021 harvest.
- Gross profit increased to £8.5m (2021: £7.0m), with a step change improvement in gross margin to 55% (2021: 49%).
- Operating profit up 51% to £1.7m (2021: £1.1m). Adjusted EBITDA up 30% to £2.8m (2021: 2.1m).
- Stocks increased to £15.4m (2021: £12.6m), reflecting an outstanding 2022 harvest and careful management of our traditional method sparkling wines inventory to underpin future growth plans.
- Net cash of £3.3m (2021: £6.4m) after investing in the expansion of our winery in Tenterden to a processing capacity of up to 2,700 tonnes of grapes per annum (2021: 1,500 tonnes) and 38 new acres of planting at Boarley Farm.
- Strong balance sheet with net assets of £32.4m (2021: £31.1m) including freehold land and buildings, planted vineyards and stock. The Board remain confident the net realisable value of these tangible assets is considerably higher than the UK GAAP reported values. We do not assign a value to our brand in the accounts.

Operational highlights

- 2022 was our first complete year as a fully focused wine business, after the prior year disposal of Curious Drinks Limited.
- 2022 saw an outstanding harvest. The quality of the grapes was outstanding, and the 2,050 tonnes was c.45% higher than 2021 (c.1,450 tonnes). This will enable us to produce over 2m bottles of wine.
- Chapel Down increases the strength of its market leadership position of English wines, reflected by its 33% market share in the UK Off Trade (Nielsen, MAT Dec 22).
- Chapel Down won 38 awards across all four of the leading wine competitions in 2022. The Gold Medals awarded to our Chapel Down Kit's Coty Coeur de Cuvée sparkling wine and Kit's Coty Chardonnay (Decanter World Wine Awards), as well as the additional Gold for Kit's Coty Chardonnay (International Wine Challenge), were particular highlights.
- 2022 was Chapel Down's first year as the 'Official Sparkling Wine' of the England and Wales Cricket Board (ECB). This successful partnership has given us a significant television audience and access to a large consumer following.
- In 2022, we planted an additional 38 acres of vines at our Boarley Farm site and we will plant an additional 118 acres there in spring 2023 taking us to 906 acres under vine in total, of which 750 will be fully productive in 2023. All 906 acres will be fully productive by 2027.

Outlook

- Our previously announced business ambition is to double revenue in the period 2021-2026 to an NSR of c.£28m, with a greater growth in adjusted EBITDA due to continued premiumisation and operational leverage, and we can do this with the investments that we have already made in land and in the capacity of our Tenterden winery.
- Current trading is in line with management expectations and our outlook for 2023 remains positive. We expect to deliver double digit net sales revenue growth and sustained improvement in gross margin for the full year. Our 2022 harvest will provide the platform for continued growth in 2023 and beyond.
- In spring 2023 we will be enhancing our brand packaging and visual identity to further reinforce the premium positioning of our Chapel Down brand.
- We have a new long term leasehold agreement for 117 plantable acres at Boughton Corner Farm, an outstanding future vineyard. We plan to plant vines in spring 2024, which will take our total planted vineyards to 1,023 acres, furthering Chapel Down's position as England's leading and largest winemaker.
- Lord Spencer of Alresford, representing IPGL, will join the Board in Q2 2023. Selina Emeny is stepping down from the Board in Q2 and we would like to thank her for her outstanding contribution to the development of Chapel Down since 2018.

CHAPEL DOWN GROUP PLC

CHAIRMAN'S STATEMENT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Chairman's Commentary

2022 saw the continued exceptional growth of the English wine market. English wine continues to win international recognition for its quality and taste. The volume of wine produced, and the land under vine, also continue to grow. We estimate that c.11m bottles of English wine were sold in 2022, of which c.7.5m bottle were sparkling, which would be a growth of approximately 30% year on year. In the UK, c.10,000 acres of land is planted under vines according to Wine GB. We are proud to say that England is now an established global wine region with a number of high-quality vineyards and a growing number of wine tourism attractions.

A core focus for the Board has been the premiumisation of the Chapel Down brand, which has supported a pronounced shift in sales mix to our higher margin traditional method sparkling wine. In 2022, 70% of our wine sales by value and 56% by volume were traditional method sparkling wine (2021: 50% by value, 34% by volume). We extended our leadership position in English sparkling wine and our market share in the off trade grew to 33% (Nielsen, MAT Dec 22). We saw 19% growth in our average selling price achieved through a combination of price increases and a more favourable sales mix, as well as an increased investment in marketing. These are the major drivers of the step change in profitability we saw in 2022, with gross profit growing 21% to £8.5m (2022: £7.1m) at a 55% gross margin (2021: 49%), operating profit growing 51% to £1.7m (2021: £1.1m) and EBITDA growing 30% to £2.8m (2021: £2.1m). The Board remains focused on delivering further profitable growth over the medium term.

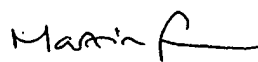
I remain hugely excited about the prospects for growth at Chapel Down. We are the market leaders and the true power brand in a newly established global wine region. Our confidence in our growth potential is founded on having exceptional quality winemaking expertise and the ability to consistently support the Chapel Down brand, and therefore growing awareness and attracting new consumers.

Underpinning the business are an exceptional collection of difficult to replicate assets. We will have 750 acres of fully productive vineyards in 2023 (2022: 596 acres fully productive and 154 acres nearing full maturity) and are continuing to add to these. We planted 38 additional acres at Boarley Farm in 2022, and will plant an additional 118 acres in spring 2023, to take our total planted to 906 acres. Hand in hand with the expansion of our vineyards was the expansion of the Tenterden winery, which was completed in 2022, allowing us to process c.2,700 tonnes of grapes per year, significantly greater than our previous capacity of c.1,500 tonnes. This capacity will allow us to produce c.2.5m bottles per year at Tenterden, compared to c.1.3m previously.

We also continue to invest in creating the best leadership team in the industry. This year I am very pleased to say that Robert Smith, previously a Partner at PwC, joined the business as CFO in September 2022. In addition, our new executive leadership team has been further developed with the recruitment of Emma Allen as People Manager, who was previously at Shepherd Neame, and Liam Newton as CMO, who was previously at Carlsberg and Bacardi. We are delighted that our CEO, Andrew Carter, has been featured in Walpole's '50 Most Influential People in British Luxury 2023', and that Josh Donaghay-Spire, our Head Winemaker, has been named 'English Winemaker of the year' in the Drinks Business' '100 Master Winemaker' awards. With these new additions, our executive leadership team is now complete and ready to deliver the next phase of growth.

These enduring sources of competitive advantage, and our total focus on being England's leading, largest and most celebrated winemaker, give us great confidence about the future.

Finally, I would like to thank all of our customers, our teams, as well as our committed, loyal and enthusiastic shareholders, without whom this progress would not have been possible.



Martin Glenn
Chairman

28 March, 2023

CHAPEL DOWN GROUP PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Introduction

Chapel Down Group Plc is pleased to announce the company's results for the 12 month period ended 31 December 2022.

The principal activity of the Group continues to be the production and sale of alcoholic beverages. A review of the business appears below.

Our mission is to change the way the world thinks about English wine forever. Our vision is to be the number one and most celebrated English winemaker, doubling the size of our business between 2021 and 2026.

Chief Executive's commentary

2022 was our first year as a company focused exclusively on wine, after the disposal of Curious Drinks Limited, and the first full year since 2019 without Covid-19 restrictions.

Chapel Down is the market leading English wine brand with the highest brand awareness, the broadest distribution, and a strong direct-to-consumer business that includes significant and growing wine tourism revenues. Our consumers are looking for premium drinks brands that are exciting, fresh and have real provenance. That is Chapel Down.

I am delighted with the progress that we have made over the last 12 months in further developing our position as the number one and most celebrated English winemaker.

Performance review

Continuing Operations*	2022 £000's	2021 £000's	% Variance
Gross Sales Revenue	17,746	16,640	7%
Duty	2,111	2,368	-11%
Net Sales Revenue	15,635	14,272	10%
Gross Profit	8,535	7,048	21%
Gross Profit %	55%	49%	+6% points
Operating Profit	1,701	1,126	51%
EBITDA	2,755	2,113	30%
ASP	£10.01	£8.43	19%

* Excluding Curious Drinks Limited 2021 contribution

We are delighted that in 2022 we continued Chapel Down's long, sustained record of growth with Net Sales Revenue¹ (NSR), increasing by 10% to £15.6m (2021: £14.3m). Furthermore, NSR growth accelerated to 14% in H2 giving us significant momentum as we go into 2023. As we grow revenues, we are also driving the premiumisation of our brand and product range which allows us to build profitability further, alongside revenue growth, as evidenced by our improved margin performance in the period.

2021 was a difficult harvest for the English wine industry, and this meant our total wine volumes fell by 10% in 2022. This was primarily driven by a 45% reduction in our still wines sold to 435k bottles (2021: 791k) as many still wines are produced using the prior year's harvest.

However, offsetting this was the outstanding increase in sales of traditional method sparkling wine to 790k bottles in 2022 (2021: 522k), which is part of the ongoing premiumisation strategy.

Our average selling prices (ASP) to our customers grew by 19% in the year. This increase is driven in part by customer prices increasing to help offset inflationary cost pressures, but more significantly by a changing mix of sales as we focus on the sale of higher priced traditional method sparkling wines. We believe this is a key and sustainable benefit of our premiumisation strategy.

Gross profit reflects that shift in mix, increasing 21% in the year to £8.5m (2021: £7.0m) and giving a step change in gross margin to 55% of NSR (2021: 49%). This increased profitability, combined with discipline on overhead costs, allows us to continue to invest strongly in marketing to grow our brand and support future profitability. Operating profit accelerated 51% to £1.7m (2021: £1.0m) and EBITDA grew 30% to £2.8m (2021: £2.1m).

The value of our wine stocks grew 22% during the year to £15.4m (2021: £12.6m) reflecting careful management of our traditional method sparkling wine inventory to underpin future growth plans, as well as an outstanding 2022 harvest.

CHAPEL DOWN GROUP PLC

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Performance review (continued)

Our net cash of £3.3m (2021: £6.4m) remains robust after paying for the planting of 38 additional acres at our Boarley Farm site and the expansion of our Tenterden Winery. This enables us to process c.2,700 tonnes of grapes in the future (from a previous capacity of c.1,500 tonnes). In addition, we have £12m of unused borrowing facilities which gives us significant operational and investment flexibility for the future.

Strong balance sheet with net assets of £32.4m (2021: £31.1m) including freehold land and buildings, planted vineyards and stock. The Board are confident the net realisable value of these tangible assets is considerably higher than the UK GAAP reported values. We do not assign a value to our brand in the accounts.

¹ At Chapel Down we focus on Net Sales Revenue (NSR), which is revenue net of duty as this is the truest indication of underlying business performance.

Channel performance

Continuing Operations NSR by Channel ¹	2022 £000's	2021 £000's	% Variance
Off-trade	8,284	7,615	9%
On-trade	1,753	1,308	34%
Export	456	173	164%
E-commerce	2,536	3,273	-23%
Retail & Tours	2,043	1,447	41%
Other Sales	563	456	23%
NSR	15,635	14,272	10%
Direct to Consumer²	5,106	5,147	-1%

¹ Excluding Curious Drinks Limited 2021 contribution

² Includes E-commerce, Retail, Tours and Direct to Consumer components of "Other Sales" such as Vine Lease and the Swan restaurant.

The Chapel Down brand has the broadest distribution base across all UK trade channels. Our off-trade channel is broad, including speciality retailers such as Selfridges, Fortnum & Mason and Majestic, as well as multiple retailers such as Waitrose, Marks & Spencer, Tesco, Sainsbury's, Morrisons, and E-commerce retailers Amazon and Ocado.

NSR in the off-trade channel grew by 9% during the year to £8.3m (2021: £7.6m). This accounted for 53% of our income in the year (2021: 53%), making this our biggest channel. We have grown our distribution in the off-trade this year in both Waitrose and Morrisons and now have 3,700 points of distribution for Chapel Down sparkling wines (2021: 3,100).

Our on-trade channel includes luxury outlets such as The Pig Hotels, premium pub groups such as Oakman Inns, and national accounts including Marriott and Mitchells and Butler. This is a key channel to build brand desirability and drive consumer trial. NSR in the on-trade grew +34% in the year to £1.8m (2021: £1.3m), recovering against a partially Covid-19 influenced comparative. Sustainable growth was primarily driven by strong distribution growth to 1,485 outlets (2021: 450) with a focus on listing Chapel Down sparkling wines with premium customers, such as The Social Eating House, Inception Group and JKS restaurants. We have also focused on sustainable growth through 'by the glass' listings, an important measure to encourage consumer trial and rate of sale, increasing these to 568 outlets (2021: 180). 'By the glass' highlights include our Chapel Down Kit's Coty Cœur de Cuvée on the tasting menu at Le Gavroche, as well as listings across Ascot Racecourse bars.

Chapel Down has a strong international footprint for future long-term growth. Our wines are now exported to 14 markets, focusing on the largest sparkling wine export markets including USA and Scandinavia, as well as developing the Global Travel Retail opportunity. Export sales were only c.3% of total sales in 2022 but grew +164% to £456k (2021: £173k). We focus on traditional method sparkling wine almost exclusively in the export channel and this accounted for 96% of all exports by revenue.

Our Direct to Consumer (DTC) channel is of great strategic importance. It includes two key sources of revenue. The first is our brand home in Tenterden, Kent, where we offer wine tours and experiences, and have our retail shop and the Swan restaurant. The second is our E-commerce business which gives consumers the opportunity to buy our full product offering online.

Overall, our DTC business was -1% in 2022 with revenue of £5.1m. Within this result, our brand home revenues increased by 37% to £2.6m (2021: £1.9m), but we saw our E-commerce business decline by 23% to £2.5m (2021: £3.3m) as a result of a particularly strong comparative period due to the change in consumer purchasing trends during the pandemic.

Our brand home attracted 65,000 visitors in 2022 (2021: 55,000) and was awarded the 'Travelers Choice Award' by TripAdvisor, placing it in the top 10% of attractions worldwide. Over 25,000 visitors enjoyed our wine tours and experiences, from our standard tour and tasting through to more premium packages enabling them, for example, to couple tours with dining experiences in our restaurant, The Swan.

Our E-commerce business declined in 2022 as consumers returned to pre-pandemic purchasing behaviours and purchased more in traditional outlets such as supermarkets and the on-trade. E-commerce did, however, have a very strong Q4, underpinned by Black Friday and Christmas. While the number of online orders declined year on year, our returning customer rate increased significantly as did our average order value. We now have a normalised base line on which to build our E-commerce business in 2023.

CHAPEL DOWN GROUP PLC

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Category performance

Continuing Operations NSR by Category*	2022 £000's	2021 £000's	% Variance
Traditional Method Sparkling	9,557	6,238	53%
Carbonated	1,378	1,723	-20%
Still	2,817	4,619	-39%
Spirits	592	886	-33%
Tours	728	350	108%
Other Sales	563	456	23%
NSR	15,635	14,272	10%

* Excluding Curious Drinks Limited 2021 contribution

Traditional method sparkling wine showed significant growth in 2022, consistent with our focused approach and long-term brand premiumisation strategy. NSR was up 53% to £9.6m (2021: £6.2m) on volumes which grew 51%. Traditional method sparkling wines are now 70% of our total wine sales by value (2021: 50%). When also including carbonated wine, sparkling wine accounts for 80% of our wine sales by value (2021: 63%).

This rapid growth in traditional method sparkling wine offset the budgeted reductions in carbonated and still wine due to lower availability caused by the disappointing 2021 harvest. We see this as a permanent shift in mix however, as the Chapel Down range becomes best known for traditional method sparkling wine.

As we focus on developing our wine business, the spirits products have a very minor role in the portfolio and therefore spirits sales were down 33% by value to £0.6m (2021: £0.9m) and down 30% by volume to 28k bottles (2021: 39k).

Business risks and uncertainties

Cost inflation remains a challenge for our industry with respect to our glass, dry goods, energy and labour costs. Importantly, however, our position has been mitigated by a number of actions. Firstly, we successfully implemented customer price increases across the product portfolio as we continue to focus on the premiumisation of the Chapel Down brand in the marketplace. Secondly, we benefited from the increased availability of traditional method sparkling wine stocks, enabled by the careful management of our inventory. Thirdly, we will enjoy the scale benefits resulting from an outstanding harvest in 2022 and, finally, we continued to increase our production efficiencies.

Brexit fallout continues to have an impact on our access to EU workers for our viticulture, albeit with some proposed improvements to seasonal workers schemes in 2023 partly offsetting this. Our scale gives us a preferential position with respect to agency labour pools and an enhanced ability to attract labour. We will also continue to trial responsibly the latest mechanical picking technology, with respect to a small proportion of our still wine grapes.

There is always the risk of a poor harvest as a consequence of extreme weather events but we mitigate this 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 relatively wide geographic area to minimise micro-climatic variations that can blight sections of individual sites. We also help to mitigate risk by continuing to build our traditional method sparkling wines stocks.

Cultivation of soft fruit, including grapes, in the UK has a degree of risk associated with fungal diseases which are common to all grape growing regions in the world. These diseases do not pose a risk to the long-term health of the vine but in certain climatic conditions can result in a percentage of crop reduction. Chapel Down mitigates this risk through canopy management practices such as leaf removal around the berries which is combined with the judicious use of recommended phytosanitary products. Weather stations are situated within our vineyards which allows prediction of high disease pressure periods and consequent corrective action.

Competition continues to grow as the English wine region expands but we continue to invest with confidence in our brand, vineyards, distribution and people to ensure that the business can continue to grow and thrive into the future.

CHAPEL DOWN GROUP PLC

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Outlook

Chapel Down will continue to develop its position as the number one and most celebrated English winemaker. The English wine region and consumer market continues to grow strongly and there is significant opportunity to build and develop our category leading Chapel Down brand with our customers and consumers.

In 2023, we will continue to invest in premiumising and growing the Chapel Down brand and range. In spring 2023 we will be enhancing our brand packaging and visual identity to further reinforce the premium positioning of our Chapel Down brand. This brand re-design will be supported by a new brand communications campaign that positions Chapel Down as the fresher way to celebrate the moments that really matter. The brand will be visible across the country at sporting events, such as the Oxford & Cambridge Boat Race and locations such as Ascot Racecourse, and additionally this year at the ten nationwide 'Pub in the Park' summer events. We are particularly looking forward to an exciting year as the 'Official Sparkling Wine of England Cricket' with a 'home' Ashes and the huge brand exposure that will bring throughout the summer of 2023, as well as creating a limited edition vintage sparkling wine for the Coronation of King Charles III.

The UK Government confirmed in the Spring Budget that new duty rates will take effect from 1 August 2023, coinciding with the implementation of previously announced duty reforms which will see products taxed according to ABV rather than product category. The duty increases at the rate of RPI growth for other products, including still wines is an unwelcome further taxation burden on the UK drinks industry, but will have minimal impact on Chapel Down given our focus on sparkling wines. The proposed reduction in English sparkling wine duty – a 19p reduction for a 75 cl bottle of 12 per cent ABV sparkling wine - is welcomed to support our investment in developing this flourishing UK industry growth opportunity.

Our business ambition is to double revenue in the period 2021-2026 to an NSR of c.£28m, with a greater growth in adjusted EBITDA due to continued premiumisation and operational leverage, and we can do this with the investments that we have already made in land and in the capacity of our Tenterden winery. Our outstanding 2022 harvest, which was c.45% higher than 2021 and of great quality, will further support our achievement of this goal.

Winemaking is a long-term enterprise and planning for profitable growth beyond 2026 is underway. We will continue to explore future opportunities for vineyards, a new scaled and efficient winery, and an expanded tourism offering in the medium term. We continue to evaluate the optimal way to deliver these opportunities, which could potentially include a future AIM listing. We are delighted to announce that we have a new long-term leasehold agreement for 117 plantable acres at Boughton Corner Farm, an outstanding future vineyard in Kent. We plan to plant vines in spring 2024 which will increase our total vineyards owned, or under long term contracts, to 1,023 acres.

Chapel Down has a great team and an exciting market growth opportunity. The creation of a new global wine region is rare, and we are excited to be leading the way here in England. I would like to conclude by thanking our customers, our teams, our growers and shareholders for their ongoing support. I am looking forward to us continuing this journey together in 2023, with huge anticipation and excitement.

Section 172 statement

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

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

The Board has identified that its key stakeholders are:

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

CHAPEL DOWN GROUP PLC

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Section 172 statement (continued)

Chapel Down's core values are: *We are challengers; We deliver together; We take personal ownership; and We act profitably and sustainably*. These values are embedded in our continuous personal development program and ensure that we act consistently in the interests of our stakeholders.

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

Employees

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

Shareholders

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

Customers

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

Suppliers

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

Community and Environment

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

This report was approved by the board on 28 March, 2023 and signed on its behalf.



A. Carter
Director

CHAPEL DOWN GROUP PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report and the financial statements for the year ended 31 December 2022.

Directors' responsibilities statement

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the Group and of the profit or loss of the Group for that period.

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

- Select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

Results and dividends

The profit for the year, after taxation, amounted to £1,053,032 (2021 - £1,077,626).

The profit for the year, after taxation and minority interests, amounted to £1,053,032 (2021 - £1,234,086). The directors do not recommend the payment of a dividend.

Directors

The directors who served during the year were:

J. D. Brooke
A. Carter
R. A. C. Smith (Appointed 01/09/2022)
M. S. Harvey (Resigned 30/06/2022)
R. A. B. Woodhouse (Resigned 31/08/2022)
N. W. Wray
M. R. Glenn
S. Gilliland
S. H. Emeny
S. A. Wren

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

CHAPEL DOWN GROUP PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Financial instruments

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

The main financial risks arising from the group's activities are credit risk and liquidity risk.

These are monitored by the board of directors and were not considered to be significant at the balance sheet date.

The group actively manages its financial risk in order to meet its foreseeable needs in the short and medium term.

Credit risk

The group's principal financial assets are cash and trade debtors. The directors consider there to be minimal credit risk in respect of the company's cash balances as they are all held in reputable financial institutions. The directors manage credit risk in respect of trade debtors by reviewing outstanding balances and performing credit checks on new customers.

Going concern

Company law requires the directors to consider the appropriateness of the going concern basis when preparing the financial statements. Having considered the period to December 2024, the directors confirm that they consider that the going concern basis remains appropriate. The group has been able to maintain a healthy cash position throughout 2022, and the £12m revolving credit facility provided by PNC Business Credit remains fully undrawn as at year-end.

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

Disclosure of information to auditor

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

- so far as the director is aware, there is no relevant audit information of which the company and the Group's auditor is unaware, and;
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company and the Group's auditor is aware of that information.

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

This report was approved by the board on 28 March, 2023 and signed on its behalf.



A. Carter
Director

CHAPEL DOWN GROUP PLC

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

FOR THE YEAR ENDED 31 DECEMBER 2022

Opinion

We have audited the financial statements of Chapel Down Group Plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2022 which comprise:

- the Group statement of comprehensive income for the year ended 31 December 2022;
- the Group and parent company balance sheet as at 31 December 2022;
- the Group and parent company statements of changes in equity for the year then ended;
- the Group cash flow statement for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31st December 2022 and of the Group's profit for the period then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions related to going concern

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

- We obtained and reviewed management's detailed trading budget and cash flow forecast for the period to 31 December 2023, and high level trading budget and cash flow forecast for the period to 31 December 2027. In addition to the review of arithmetical accuracy, we also discussed the key assumptions with management and ensured they are reasonable with our understanding of the business and sector. The trading budget and cash flow forecast show the group as being profitable and having significant headroom on their financing facilities throughout the forecast period.
- We reviewed the Board minutes and discussed with management any matters not documented in the minutes.
- We enquired with management whether there are any significant subsequent events that may impact on going concern.

In addition to the above, we noted that the group has significant net assets and cash reserves at 31 December 2022.

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

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

Overview of our audit approach

Materiality

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

Based on our professional judgement, we determined overall materiality for the group financial statements as a whole to be £250,000 based on 0.6% of total assets (2021 - £200,000). The parent company materiality was set at £100,000 (2021 - £100,000) based on total assets and restricted so as not to exceed group materiality.

CHAPEL DOWN GROUP PLC

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

FOR THE YEAR ENDED 31 DECEMBER 2022

Overview of our audit approach (continued)

In setting materiality, we considered the group's business model. The group is building for the future and those who have invested in the business have not done so based on historic trading performance, but on the potential growth of the brand and the value of assets in the group.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. Based on our professional judgement, we determined performance materiality for the group financial statements as a whole to be £175,000 (2021 - £140,000) for the group and £70,000 (2021 - £70,000) for the parent.

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

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

Overview of the scope of our audit

The audit procedures have been carried out solely by Crowe U.K. LLP. The audit scope was established during the planning stage and was based around the key matters set out below. The scope included tests of control to establish the group's systems in use are working effectively and tests of detail selecting transactions via sampling techniques.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Key audit matter

How the scope of our audit addressed the key audit matter

Stock and Work in Progress (policy 2.9, note 3 and note 19)

The valuation of stock was considered to be a significant risk because it involves detailed calculations and the application of judgement by the directors.

Detailed transactional testing was performed to ensure that stock was valued at the lower of cost and net realisable value.

Year end stock counts were attended to verify the existence of stock.

Overhead absorption calculations were reviewed in detail to confirm that they were accurately calculated and in line with the requirements of Financial Reporting Standard 102. We also reviewed the consistency of the calculations with the prior year.

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

CHAPEL DOWN GROUP PLC

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

FOR THE YEAR ENDED 31 DECEMBER 2022

Other Information

The directors are responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of 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.

Matters on which we are required to report by exception

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

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

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 8 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

CHAPEL DOWN GROUP PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHAPEL DOWN GROUP PLC (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

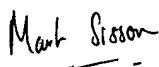
Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing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

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

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

Use of our report

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.



Mark Sisson (Senior Statutory Auditor)

for and on behalf of
Crowe U.K. LLP

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

28 March 2023

CHAPEL DOWN GROUP PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

		2022		2021		
	Notes	Continuing operations	Total	Continuing operations	Curious Drinks Limited discontinued operations	Total
		£	£	£	£	£
Turnover	4	17,745,581	17,745,581	16,639,885	287,284	16,927,169
Cost of sales		(9,210,423)	(9,210,423)	(9,592,142)	(226,885)	(9,818,828)
Gross profit		8,535,158	8,535,158	7,047,743	60,599	7,108,340
Administrative expenses		(6,667,277)	(6,667,277)	(5,610,351)	(243,474)	(5,853,825)
Share based payment charge		(57,790)	(57,790)	(23,564)	-	(23,564)
Exceptional costs	13	(109,517)	(109,517)	(287,416)	(100,208)	(387,624)
Operating profit / (loss)	6	1,700,574	1,700,574	1,126,412	(283,083)	843,327
Government grant income	5	-	-	73,255	57,261	130,517
Interest receivable and similar income	10	16,147	16,147	38	-	38
Interest payable and expenses	11	(119,041)	(119,041)	(98,723)	(85,019)	(183,741)
Share of after tax losses in associates	18	(15,207)	(15,207)	-	-	-
Profit / (Loss) before taxation		1,582,473	1,582,473	1,100,982	(310,841)	790,141
Tax on profit / (loss)	12	(529,441)	(529,441)	287,485	-	287,485
Profit / (Loss) and total comprehensive income for the financial year		1,053,032	1,053,032	1,388,467	(310,841)	1,077,626
Profit / (Loss) for the year attributable to:						
Non-controlling interests		-	-	-	(156,460)	(156,460)
Owners of the parent company		1,053,032	1,053,032	1,388,467	(154,381)	1,234,086
		1,053,032	1,053,032	1,388,467	(310,841)	1,077,626
Adjusted EBITDA						
Operating profit / (loss)		1,700,574	1,700,574	1,126,412	(283,083)	843,329
Share based payment		57,790	57,790	23,564	-	23,564
Depreciation and amortisation		887,362	887,362	675,806	-	675,806
Exceptional costs		109,517	109,517	287,416	100,208	387,624
EBITDA excluding share based payment		2,755,243	2,755,243	2,113,198	(182,875)	1,930,323
Earnings per share (pence)		2022				2021
		£				£
Basic		0.662				0.822
Diluted		0.660				0.811

All earnings attributable to Non-controlling interests in 2021 relate to discontinued operations.

There were no discontinued operations in 2022.

CHAPEL DOWN GROUP PLC
COMPANY REGISTERED NUMBER 04362181

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2022

	Notes	2022 £	2021 £
Fixed assets			
Intangible assets	16	79,318	116,834
Tangible assets	17	<u>15,849,621</u>	<u>14,577,720</u>
		15,928,939	14,694,554
Current assets			
Stocks	19	15,394,488	12,579,207
Debtors: amounts falling due within one year	20	2,695,076	1,309,301
Cash at bank and in hand	21	<u>5,800,770</u>	<u>9,215,130</u>
		23,890,334	23,103,638
Creditors: amounts falling due within one year	22	<u>(4,754,953)</u>	<u>(4,200,234)</u>
Net current assets		<u>19,135,381</u>	<u>18,903,404</u>
Total assets less current liabilities		35,064,320	33,597,958
Creditors: amounts falling due after more than one year	23	(2,089,128)	(2,481,668)
Provisions for liabilities			
Deferred tax	26	(528,081)	-
Net assets		<u>32,447,131</u>	<u>31,116,290</u>
Capital and reserves			
Called up share capital	27	7,984,508	7,877,902
Share premium account	28	32,143,576	32,010,161
Revaluation reserve	28	970,457	992,702
Capital redemption reserve	28	400	400
Profit and loss account		<u>(8,631,808)</u>	<u>(9,764,875)</u>
Equity attributable to owners of the parent company		<u>32,447,131</u>	<u>31,116,290</u>
Shareholders' funds		<u>32,447,131</u>	<u>31,116,290</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 March, 2023.



A. Carter
Director



R.A.C. Smith
Director

The notes on pages 20 to 36 form part of these financial statements.

CHAPEL DOWN GROUP PLC
COMPANY REGISTERED NUMBER 04362181

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2022

	Notes	2022 £	2021 £
Fixed assets			
Intangible assets	16	28,074	49,130
Tangible assets	17	11,636,232	11,198,588
Investments	18	50,000	50,000
		11,714,306	11,297,716
Current assets			
Debtors due after more than 1 year	20	15,119,582	11,227,988
Debtors within one year	20	156,582	62,171
Cash at bank and in hand	21	4,128,748	7,901,768
		19,404,872	19,191,927
Creditors: amounts falling due within one year	22	(502,083)	(411,426)
Net current assets		18,902,809	18,780,501
Total assets less current liabilities		30,617,115	30,078,217
Creditors: amounts falling due after more than one year	23	(2,071,159)	(2,452,311)
Provisions for liabilities			
Deferred tax	26	(253,344)	-
Net assets		28,292,612	27,625,906
Capital and reserves			
Called up share capital	27	7,964,508	7,877,902
Share premium account	28	32,143,576	32,010,161
Revaluation reserve	28	871,237	801,541
Capital redemption reserve	28	400	400
Profit and loss account brought forward	28	(13,164,098)	(13,420,643)
Profit/(loss) for the year		448,687	226,241
Other changes in the profit and loss account		30,304	30,304
Profit and loss account carried forward		(12,687,107)	(13,164,098)
		28,292,612	27,625,906

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 March, 2023.



A. Carter
Director



R.A.C. Smith
Director

The notes on pages 20 to 36 form part of these financial statements.

CHAPEL DOWN GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital	Share premium account	Capital redemption reserve	Revaluation reserve	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 January 2022	7,877,902	32,010,161	400	992,702	(9,764,875)	31,116,290
Comprehensive Income for the year	-	-	-	-	1,053,032	1,053,032
Profit / (Loss) for the year	-	-	-	-	1,053,032	1,053,032
Total comprehensive income for the year	-	-	-	-	1,053,032	1,053,032
Shares issued during the year	86,804	133,416	-	-	-	220,019
Transfer of excess depreciation charge relating to revaluation of tangible assets	-	-	-	(22,245)	22,245	-
Share based payment expense	-	-	-	-	57,790	57,790
At 31 December 2022	7,964,606	32,143,676	400	970,457	(8,631,808)	32,447,131

	Called up share capital	Share premium account	Capital redemption reserve	Revaluation reserve	Profit and loss account	Non-controlling interests	Total equity
	£	£	£	£	£	£	£
At 1 January 2021	7,226,837	26,158,571	400	1,028,759	(4,010,576)	(8,891,546)	23,612,445
Comprehensive Income for the year	-	-	-	-	1,234,086	(156,460)	1,077,626
Profit / (Loss) for the year	-	-	-	-	1,234,086	(156,460)	1,077,626
Total comprehensive income for the year	-	-	-	-	1,234,086	(156,460)	1,077,626
Shares issued during the year	651,065	5,851,590	-	-	-	-	6,502,655
Transfer of excess depreciation charge relating to revaluation of tangible assets	-	-	-	(36,057)	36,057	-	-
Share based payment expense	-	-	-	-	23,564	-	23,564
Elimination of non-controlling interest on loss of control of subsidiary	-	-	-	-	(7,048,006)	7,048,006	-
At 31 December 2021	7,877,902	32,010,161	400	992,702	(9,764,875)	-	31,116,290

The notes on pages 20 to 36 form part of these financial statements.

CHAPEL DOWN GROUP PLC

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital	Share premium account	Capital redemption reserve	Revaluation reserve	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 January 2022	7,877,902	32,010,161	400	901,541	(13,164,098)	27,625,906
Comprehensive income for the year	-	-	-	-	446,687	446,687
Profit / (Loss) for the year	-	-	-	-	446,687	446,687
Total comprehensive income for the year	-	-	-	-	446,687	446,687
Shares issued during the year	86,604	133,415	-	-	-	220,019
Transfer of excess depreciation charge relating to revaluation of tangible assets	-	-	-	(30,304)	30,304	-
At 31 December 2022	7,964,506	32,143,576	400	871,237	(12,687,107)	28,292,612

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

The notes on pages 20 to 36 form part of these financial statements.

CHAPEL DOWN GROUP PLC

CONSOLIDATED CASH FLOW STATEMENT AS AT 31 DECEMBER 2022

	2022 £	2021 £
Cash flows from operating activities		
Profit for the financial year	1,053,032	1,077,626
Adjustments for:		
Amortisation of intangible assets	37,516	25,098
Depreciation of tangible assets	849,846	650,708
Loss on disposal of tangible assets	-	8,850
Share of loss of associate	15,207	-
Accounting profit on elimination of subsidiary following loss of control	-	(55,348)
Share based payment	57,790	23,564
Interest payable	119,041	183,742
Interest receivable	(16,147)	(38)
Taxation charge	529,441	(287,485)
(Increase) in stocks	(2,829,488)	(865,817)
(Increase) / Decrease in debtors	(1,437,717)	1,376,476
Increase / (Decrease) in creditors	506,706	(761,379)
Corporation tax (paid)	179	63,252
Net cash (used in) / generated from operating activities	(1,114,594)	1,439,249
Cash flows from investing activities		
Purchase of intangible fixed assets	-	(46,950)
Purchase of tangible fixed assets	(2,121,747)	(1,056,976)
Investment in associate undertaking	(1,000)	-
Cash eliminated on loss on control of subsidiary	-	(2,349)
Interest received	16,147	38
Net cash used in investing activities	(2,106,600)	(1,106,237)
Cash flows from financing activities		
Issue of ordinary shares	220,019	6,439,488
New secured loans	-	3,000,000
Repayment of loans	(294,144)	(5,234,239)
Interest paid	(119,041)	(183,742)
Net cash from financing activities	(193,166)	4,021,507
Net (decrease) / increase in cash and cash equivalents	(3,414,360)	4,354,519
Cash and cash equivalents at the beginning of the year	9,215,130	4,860,611
Cash and cash equivalents at the end of the year	5,800,770	9,215,130
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	5,800,770	9,215,130

CONSOLIDATED ANALYSIS OF NET CASH

	At 1 January 2022	Cash Flows	Non-Cash Flows	At 31 December 2022
Cash at bank and in hand	9,215,130	(3,414,360)	-	5,800,770
Debt due within 1 year	(380,377)	(87,008)	-	(467,385)
Debt due more than 1 year	(2,452,311)	381,152	-	(2,071,159)
	<u>6,382,441</u>	<u>(3,120,215)</u>		<u>3,262,226</u>

The notes on pages 20 to 36 form part of these financial statements..

CHAPEL DOWN GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

1 General information

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

The company is a public limited company, which is incorporated and registered in England and Wales (Registered number: 04362181).

The address of the registered office is Chapel Down Winery, Small Hythe Road, Tenterden, Kent, TN30 7NG.

2 Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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

The company has taken advantage of the disclosure exemptions available from preparing a Statement of Cash Flows, as permitted by the FRS 102.

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

The following principal accounting policies have been applied:

2.2 Basis of consolidation

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

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

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

Associated undertakings for which the group has significant influence over have been accounted for in accordance with FRS 102 Section 14 "Investments in Associates", by applying the equity method. Under the equity method of accounting, an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investor's share of the profit or loss, other comprehensive income and equity of the associate.

2.3 Going concern

Company law requires the directors to consider the appropriateness of the going concern basis when preparing the financial statements. Having considered the period to December 2024, the directors confirm that they consider that the going concern basis remains appropriate. The group has been able to maintain a healthy cash position throughout 2022, and the £12m revolving credit facility provided by PNC Business Credit remains fully undrawn as at year-end.

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

2.4 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

Revenue for trade sales is recognised at the point of despatch and retail sales at the point of customer purchase.

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

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

Revenue for direct sales is recognised at the point of despatch.

CHAPEL DOWN GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) AS AT 31 DECEMBER 2022

2 Accounting policies (continued)

2.5 Government grants

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

2.6 Tangible fixed assets

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

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

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

Depreciation is provided on the following basis:

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

Land included within Freehold land and buildings is not depreciated.

Assets under construction are not depreciated.

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

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

2.7 Investment in subsidiaries

Investments in subsidiaries are measured at cost less accumulated impairment.

2.8 Investment in associates

Investments in associates are measured at cost less accumulated impairment.

2.9 Stocks

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

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

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

CHAPEL DOWN GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) AS AT 31 DECEMBER 2022

2 Accounting policies (continued)

2.10 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.12 Financial instruments

The group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the profit and loss account.

2.13 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.14 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

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

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

2.15 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

CHAPEL DOWN GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) AS AT 31 DECEMBER 2022

2 Accounting policies (continued)

2.16 Share based payments

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

Fair value is measured by use of a Black-Scholes option pricing model.

2.17 Operating leases

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

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

2.18 Pensions

Defined contribution pension plan

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

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

2.19 Interest income

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

2.20 Earnings per share

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

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

2.21 Current and deferred taxation

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

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

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

CHAPEL DOWN GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) AS AT 31 DECEMBER 2022

2.22 Current and deferred taxation (continued)

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

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

The group makes judgements, estimates and assumptions that affect the application of policies and the carrying values of assets and liabilities, income and expenses. The resulting accounting estimates calculated using these judgements will, by definition, seldom equal the related actual results but are based on the experience of the directors and the expectation of future events. The estimates are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

The principal areas where judgement is exercised are as follows:

Stock - the directors regularly assess the quality and age of stock and will make necessary provisions against amounts which may not be recoverable.

Tangible fixed assets - the directors annually assess whether there are any indicators of impairment to tangible fixed assets. If impairment indicators are identified, the directors will perform a detailed review of both the carrying value and the expected useful life of these assets.

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

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS AT 31 DECEMBER 2022

4 Turnover

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

All of the reported revenue and operational results for the period derive from the group's external customers. All non-current assets are held within the United Kingdom. The group is not reliant on any one customer.

	2022	2021
	£	£
Analysis of turnover by country of destination:		
United Kingdom	17,212,306	16,814,870
Rest of Europe	101,517	-
Rest of the world	431,758	112,299
	<u>17,745,581</u>	<u>16,927,169</u>

5 Government grants

	2022	2021
	£	£
Government support due to Covid-19:		
Business Interruption Grants	-	40,928
Job Retention Scheme Income	-	89,588
	<u>-</u>	<u>130,516</u>

The government grants in the prior year related to government support due to COVID-19 and were recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

6 Operating profit/loss

	2022	2021
	£	£
Operating profit/loss is stated after charging:		
Depreciation of tangible fixed assets	849,846	650,708
Amortisation of intangible assets	37,516	25,098
Exchange differences	53,674	1,855
Land operating leases	62,140	149,235
Other operating leases	46,426	67,118

7 Auditor's remuneration

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

	2022	2021
	£	£
Audit of the financial statements	40,000	41,500
Taxation compliance services	10,990	11,583
Other services relating to taxation	-	7,635
Other services	909	2,165
	<u>51,899</u>	<u>62,883</u>

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS AT 31 DECEMBER 2022

8 Employees

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

	2022 £	2021 £
Wages and salaries	3,019,127	2,201,964
Social security costs	346,526	260,610
Cost of defined contribution scheme	82,675	56,103
	<u>3,448,328</u>	<u>2,518,677</u>

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

	2022 No.	2021 No.
Administration	22	21
Production	27	24
Retail	16	14
Directors	3	3
	<u>68</u>	<u>62</u>

Employment costs include share based payments of £57,790 (2021 - £23,564) relating to the effect of section 26 of FRS 102.

9 Directors' remuneration

	2022 £	2021 £
Directors' emoluments	869,618	535,572
Company contributions to defined contribution pension schemes	16,451	10,003
	<u>886,069</u>	<u>545,575</u>

During the year retirement benefits were accruing to 3 directors (2021 - 3) in respect of defined contribution pension schemes.

The highest paid serving director during the year received remuneration in the year of £387,100 (2021 - £175,217).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £11,325 (2021 - nil).

During the year 1 director exercised (2021 - nil) share options and the total exercise price paid to the company was £74,857 (2021 - £nil). 3 directors were issued share options during the year (2021 - nil).

10 Interest receivable

	2022 £	2021 £
Bank and other interest receivable	<u>16,147</u>	<u>38</u>

11 Interest payable and similar expenses

	2022 £	2021 £
Loan interest payable	<u>119,041</u>	<u>183,742</u>

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS AT 31 DECEMBER 2022

12	Taxation	2022 £	2021 £
	Corporation tax		
	UK corporation tax charge on profit for year	-	-
	Adjustments in respect of prior years	-	-
	Total current tax	<u>-</u>	<u>-</u>
	Deferred tax		
	Origination and reversal of timing differences	382,366	(222,070)
	Adjustments in respect of prior periods	147,075	-
	Effect of change of tax rate on opening balance	-	(65,415)
	Total deferred tax	<u>529,441</u>	<u>(287,485)</u>
	Taxation on profit on ordinary activities	<u>529,441</u>	<u>(287,485)</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2021 - lower than) the standard rate of corporation tax in the UK of 19.00% (2021 - 19.00%).
The differences are explained below:

	2022 £	2021 £
Profit/(loss) on ordinary activities before tax	<u>1,582,473</u>	<u>790,141</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2021 - 19.00%)	300,670	150,126
Effects of:		
Ineligible depreciation and amortisation	44,903	28,901
Expenses not deductible for tax purposes	4,256	60,559
Adjustments to tax charge in respect of prior years	147,075	-
Difference between deferred tax movement on share options and tax relief on option exercises	22,575	(6,311)
Plant and machinery super-deduction	(81,805)	(27,179)
Differences due to deferred tax rate being higher than standard corporation tax rate	91,767	65,084
Impact of change in deferred tax rate on opening deferred tax	-	(65,415)
Deferred tax on losses not recognised	-	(493,250)
Total tax charge for the year	<u>529,441</u>	<u>(287,485)</u>

Factors that may affect future tax charges

English Wines Plc has £1,891,331 of tax losses to carry forward against future profit. A deferred tax asset of £472,833 has been recognised as the directors believe the company will generate sufficient taxable profits in the foreseeable future to utilise these losses.

Chapel Down Group Plc has £518,522 of tax losses to carry forward against future profit. A deferred tax asset of £129,630 has been recognised as the directors believe the company will generate sufficient taxable profits in the foreseeable future to utilise these losses.

The rate of corporation tax will increase from 19% to 25% from 1 April 2023. At the same time, a small companies' rate of 19% will be introduced and marginal relief given for intermediate companies. This change is expected to increase the group's effective tax rate.

13 Exceptional Items

Restructuring costs of £109,517 were incurred in the year (2021 - £287,416).

In the prior year, exceptional costs of £100,208 were incurred in the year in respect of the disposal of Curious Drinks Limited.

14 Parent company profit for the year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The profit after tax of the parent company for the year was £446,687 (2021 - £226,241).

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS AT 31 DECEMBER 2022

15 Earnings per share

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

	Profit after Tax 2022 £	Profit after Tax 2021 £	Weighted average number of shares 2022	Weighted average number of shares 2021	Profit per share 2022 pence	Profit per share 2021 pence
Basic earnings *	1,053,032	1,234,086	159,108,712	150,211,060	0.662	0.822
Effect of dilutive share options (Restated)	-	-	456,453	1,972,898		
Diluted earnings (Restated)	<u>1,053,032</u>	<u>1,234,086</u>	<u>159,565,165</u>	<u>152,183,958</u>	<u>0.660</u>	<u>0.811</u>

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

The prior year comparative for the effect of dilutive share options has been restated to 1,972,898 from 4,955,661 due to a number of share option forfeitures being omitted in error from the prior year accounts where employees had exited the business and where historic options had expired. As a result, the 2021 diluted earnings per share has been restated to 0.811p from 0.795p.

16 Intangible assets

Group and company	Website	Group Customer Relationship	Total	Company Customer Relationship
	£	£	£	£
Cost				
At 1 January, 2022	<u>82,300</u>	<u>63,167</u>	<u>145,467</u>	<u>63,167</u>
At 31 December, 2022	<u>82,300</u>	<u>63,167</u>	<u>145,467</u>	<u>63,167</u>
Amortisation				
At 1 January, 2022	<u>14,596</u>	<u>14,037</u>	<u>28,633</u>	<u>14,037</u>
Charge for the year	<u>16,460</u>	<u>21,056</u>	<u>37,516</u>	<u>21,056</u>
At 31 December, 2022	<u>31,056</u>	<u>35,093</u>	<u>66,149</u>	<u>35,093</u>
Net book value				
At 31 December, 2022	<u>51,244</u>	<u>28,074</u>	<u>79,318</u>	<u>28,074</u>
At 31 December, 2021	<u>67,704</u>	<u>49,130</u>	<u>116,834</u>	<u>49,130</u>

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS AT 31 DECEMBER 2022

17 Tangible fixed assets Group

	Freehold land and buildings £	Short term leasehold properties £	Plant and machinery £	Motor Vehicles £
Cost or valuation				
At 1 January 2022	5,230,062	219,995	5,274,645	35,378
Additions	448,791		1,012,980	40,372
At 31 December 2022	5,678,853	219,995	6,287,625	75,750
Depreciation				
At 1 January 2022	1,510,687	114,532	1,961,750	27,734
Charge for the year	143,585	22,000	248,510	7,555
At 31 December 2022	1,654,252	136,532	2,210,260	35,289
Net book value				
At 31 December 2022	4,024,601	83,463	4,077,365	40,461
At 31 December 2021	3,719,375	105,463	3,312,895	7,644

	Fixtures, fittings and equipment £	Biological Assets - Vines £	Total £
Cost or valuation			
At 1 January 2022	678,365	8,057,319	19,495,764
Additions	58,831	560,773	2,121,747
At 31 December 2022	737,196	8,618,092	21,617,511
Depreciation			
At 1 January 2022	611,796	691,545	4,918,044
Charge for the year	26,077	402,139	849,846
At 31 December 2022	637,873	1,093,684	5,767,890
Net book value			
At 31 December 2022	99,323	7,524,408	15,849,621
At 31 December 2021	66,569	7,365,774	14,577,720

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS AT 31 DECEMBER 2022

17 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 2022	4,977,576	219,995	839,791	8,057,317	14,094,679
Additions	448,091	-	-	560,772	1,008,863
At 31 December 2022	5,425,667	219,995	839,791	8,618,089	15,103,542
Depreciation					
At 1 January 2022	1,293,275	114,532	796,741	691,545	2,896,093
Charge for the year	126,836	22,000	20,142	402,139	571,217
At 31 December 2022	1,420,211	136,532	816,883	1,093,684	3,467,310
Net book value					
At 31 December 2022	4,005,456	83,463	22,808	7,524,405	11,636,232
At 31 December 2021	3,684,301	105,463	43,050	7,365,772	11,198,586

18 Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2022	2,402,255
At 31 December 2022	2,402,255
Impairment	
At 1 January 2022	2,352,255
At 31 December 2022	2,352,255
Net book value	
At 31 December 2022	50,000
At 31 December 2021	50,000

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

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

In the prior year, Curious Drinks Limited, a previous subsidiary undertaking, was placed into administration. At this point Chapel Down Group Plc lost control of the company. As such, from 23 April 2021 Curious Drinks Limited was deconsolidated from the group financial statements, and the investment in Curious Drinks Limited was fully impaired.

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS AT 31 DECEMBER 2022

18 Fixed asset investments (continued)

	Investments in associate companies £
Cost or valuation	
At 1 January 2022	-
Additions	15,207
At 31 December 2022	15,207
Impairment	
At 1 January 2022	-
Impairment in year	15,207
At 31 December 2022	15,207
Net book value	
At 31 December 2022	-
At 31 December 2021	-

On 27th January 2022, Chapel Down Group Plc purchased 1,000 £1 ordinary shares in Aker Wines and Spirits Limited (Aker), a newly formed company which specialises in the manufacture of wine-based spirits. At 31 December 2022, Chapel Down Group Plc owned 32% of the ordinary share capital of the company.

During the year, Chapel Down Group Plc provided raw materials (wine tank liquid) for £Nil consideration to Aker. These raw materials had a cost of £14,207, and were treated as a capital contribution by the company, thus increasing the carrying value of the underlying investment. As a result the company's total investment at the balance sheet date was £15,207. The carrying value of this investment was tested for impairment at the balance sheet date by comparing the recoverable amount with the carrying value. As the carrying value of £15,207 substantially exceeded the recoverable amount, management took the decision to impair the investment in full within the Chapel Down Group Plc company only balance sheet.

Within the Chapel Down Group Plc consolidated financial statements the investment in Aker has been accounted for by applying the Equity method, under Section 14 of FRS 102. For the year-ended 31 December 2022 Aker reported losses. Chapel Down Group Plc's portion of these losses exceeded the carrying amount of the investment held on the Group's consolidated balance sheet, and hence the Group's share of after tax losses in associates for the year has been capped at the £15,207 carrying amount of the investment.

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS AT 31 DECEMBER 2022

19	Stocks	Group 2022 £	Group 2021 £
	Raw materials and consumables	35,633	118,474
	Work in progress	14,120,952	11,387,800
	Finished goods and goods for resale	1,237,903	1,072,933
		<u>15,394,488</u>	<u>12,579,207</u>

20	Debtors	Group 2022 £	2021 £	Company 2022 £	2021 £
	Due after more than one year				
	Amounts owed by group undertakings	-	-	15,119,562	11,227,988

The amounts owed by group undertakings relates to a loan of £15,119,562 due from English Wines Plc (2021 - £11,227,988). The loan to English Wines Plc attracts interest at a rate of 7% per annum. The loan is not repayable before 1 January 2024.

	Group 2022 £	2021 £	Company 2022 £	2021 £
Due within one year				
Trade debtors	2,465,413	1,090,077	-	-
Other debtors	157,672	47,211	156,562	45,881
Prepayments and accrued income	71,991	120,071	-	-
Deferred taxation	-	1,380	-	16,290
Corporation tax receivable	-	50,562	-	-
	<u>2,695,076</u>	<u>1,309,301</u>	<u>156,562</u>	<u>62,171</u>

21	Cash and cash equivalents	Group 2022 £	2021 £	Company 2022 £	2021 £
	Cash at bank and in hand	5,800,770	9,215,130	4,128,748	7,901,768

22	Creditors: Amounts falling due after less than one year	Group 2022 £	2021 £	Company 2022 £	2021 £
	Bank loans	467,385	380,377	467,385	380,377
	Trade creditors	2,337,676	1,723,647	-	-
	Corporation tax	633	-	535	535
	Other taxation and social security	572,924	574,239	-	-
	Other creditors	1,227,735	1,367,862	10,335	12,936
	Accruals and deferred income	148,600	154,109	23,808	17,578
		<u>4,754,953</u>	<u>4,200,234</u>	<u>502,063</u>	<u>411,426</u>

23	Creditors: Amounts falling due after more than one year	Group 2022 £	2021 £	Company 2022 £	2021 £
	Bank loans	2,071,159	2,452,311	2,071,159	2,452,311
	Accruals and deferred income	17,969	29,357	-	-
		<u>2,089,128</u>	<u>2,481,668</u>	<u>2,071,159</u>	<u>2,452,311</u>

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2022

24	Loans	Group 2022 £	Group 2021 £
	Amounts falling due within one year		
	Bank loans	467,385	380,377
	Amounts falling due 1-2 years		
	Bank loans	2,071,159	300,940
	Amounts falling due 2-5 years		
	Bank loans	-	2,151,371
		<u>2,538,544</u>	<u>2,832,688</u>

In 2021 a £15million financing facility was entered into with PNC Business Credit which includes a £3million term loan and a £12million revolving credit facility. In June 2021 the £3million term loan was drawdown. The term loan is repayable in monthly installments followed by a bullet repayment of £2,125,000 in May 2024. No amounts have been drawdown on the revolving credit facility.

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

25	Financial Instruments	Group		Company	
		2022 £	2021 £	2022 £	2021 £
	Financial assets				
	Financial assets that are debt instruments measured at amortised cost	<u>8,423,855</u>	<u>10,352,419</u>	<u>19,404,871</u>	<u>19,175,637</u>
	Financial liabilities				
	Financial liabilities measured at amortised cost	<u>(6,173,722)</u>	<u>(5,979,321)</u>	<u>(2,572,688)</u>	<u>(2,863,201)</u>

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

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

26	Deferred taxation		
	Group	2022 £	2021 £
	At beginning of year	1,380	(286,105)
	Charged to profit or loss	<u>(529,441)</u>	<u>287,485</u>
	At end of year	<u>(528,061)</u>	<u>1,380</u>
	Company	2022 £	2021 £
	At beginning of year	16,290	(243,064)
	Charged to profit or loss	<u>(269,634)</u>	<u>259,354</u>
	At end of year	<u>(253,344)</u>	<u>16,290</u>

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS AT 31 DECEMBER 2022

26 Deferred taxation continued

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Accelerated capital allowances	(1,172,886)	(849,609)	(382,974)	(311,054)
Short term timing differences	32,430	22,477	-	-
Share options	9,932	154,216	-	-
Tax losses carried forward	602,463	674,296	129,630	327,344
	<u>(528,061)</u>	<u>1,380</u>	<u>(253,344)</u>	<u>16,290</u>

27 Share capital

	2022	2021
	£	£
Allotted, called up and fully paid		
159,253,885 (2021 - 157,521,804) Ordinary shares of £0.050000 each	7,962,694	7,876,090
14,322,158 (2021 - 14,322,158) A1 shares of £0.000100 each	1,432	1,432
3,800,000 (2021 - 3,800,000) A2 shares of £0.000100 each	380	380
	<u>7,964,506</u>	<u>7,877,902</u>

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

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

During the year 1,022,134 ordinary share options were exercised by an employee of the group at 10p per share, contributing 5p per share to the share premium.

During the year 144,263 ordinary share options were exercised by an employee of the group at 15p per share, contributing 10p per share to share premium.

During the year 565,684 ordinary share options were exercised by an employee of the group at 17p per share, contributing 12p per share to share premium.

At the year end there were 5,025,559 (2021 restated - 3,706,413) ordinary share options outstanding, see note 29 share based payments for valuations. The prior year comparative has been restated from 8,363,617 to 3,706,413 share options outstanding due to a number of share option forfeitures being omitted in error from the prior year accounts where employees had exited the business and where historic options had expired.

28 Reserves

Share premium account

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

Revaluation reserve

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

Capital redemption reserve

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

Profit and loss account

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

CHAPEL DOWN GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) AS AT 31 DECEMBER 2022

29 Share based payments

	2006 Options Fixed price	2009 Options Fixed price	2013 Options Fixed price	2016 Options Fixed price
Number of share options	3,239,897	3,000,000	11,000,000	430,000
Vesting period (years)	3.7	4.4	4.6	3
Outstanding at start of year (Restated)	314,263	1,022,134	1,024,684	110,000
Weighted average exercise price at the start of the year	15p	10p	17p	33p
Exercised	(144,263)	(1,022,134)	(565,684)	-
Granted	-	-	-	-
Forfeited	-	-	-	-
Outstanding at year end	170,000	-	459,000	110,000
Weighted average exercise price at the end of the year	15p	-	17p	33p
	2018 Options Fixed price	2020 Options Fixed price	2022 Options Fixed price	2022 LTIP Options Fixed price
Number of share options	840,000	713,332	678,236	3,239,108
Vesting period (years)	3	2.8	3	3
Outstanding at start of year (Restated)	572,000	683,332	-	-
Weighted average exercise price at the start of the year	85.4p	77.2p	-	-
Exercised	-	-	-	-
Granted	-	-	678,236	3,239,108
Forfeited	(172,000)	-	-	(694,117)
Outstanding at year end	400,000	663,332	678,236	2,544,991
Weighted average exercise price at the end of the year	84p	77.2p	27.4p	42.5p

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

The total number of outstanding share options at the start of the year has been restated from 8,363,617 to 3,706,413 due to a number of share option forfeitures being omitted in error from the prior year accounts where employees had exited the business and where historic options had expired. Within the table presented above, this restatement impacts the 2013, 2016 and 2018 tranches. The 2013 opening balance has been restated to 1,024,684 from 4,357,888, the 2016 opening balance has been restated to 110,000 from 430,000, and the 2018 opening balance has been restated to 572,000 from 868,000. Furthermore, at the start of the year there were no share options outstanding within the 2006 variable price, 2017 and 2018 tranches, and hence these have been excluded from this disclosure.

Between 2003 and 2021 25,596,721 share options were granted. The fair value was calculated by applying the Black Scholes option pricing model. The range of model inputs were the share price at grant date (9p to 84p), exercise price (9p to 88.5p), expected volatility (2% to 35%), vesting period (1 to 4.6 years) and a risk free rate (0.5% to 5.5%). No dividends were expected.

The estimated average fair value of the 3,917,344 share options granted in 2022 is 8.9p. This was calculated by applying the Black Scholes option pricing model. The model inputs were the share price at grant date ranging from 36.5p to 42.5p, exercise price ranging from 25.5p to 42.5p, expected volatility of 24.16%, no expected dividends, vesting period of 3 years, and a risk free rate of 3.5%.

The current year expense resulting from the share options is £57,790 (2021 - £23,564).

The directors believe that the Black Scholes option pricing model is the most appropriate method for calculating the share option charges under Section 26 of FRS 102.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS AT 31 DECEMBER 2022

30 Guarantees and other commitments

At 31 December 2022 there was a guarantee in place in favour of Her Majesty's Revenue and Customs for £270,000 (2021 - £270,000).

31 Pension commitments

The group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £82,675 (2021 - £56,103). Contributions totaling £9,157 (2021 - £1,230) were payable to the fund at the balance sheet date and are included in creditors.

32 Commitments under operating leases

At 31 December 2022 the Group and the company had future minimum lease payments under non-cancellable operating leases as follows:

	Group		Group	
	2022		2021	
	£		£	
Other				
Not later than 1 year			12,042	44,546
Later than 1 year and not later than 5 years			5,559	17,601
			<u>17,601</u>	<u>62,147</u>

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Land and buildings				
Not later than 1 year	507,321	491,397	331,220	325,803
Later than 1 year and not later than 5 years	1,551,497	1,674,124	1,245,269	1,312,457
Later than 5 years	4,456,468	4,966,974	4,456,468	4,966,974
	<u>6,515,286</u>	<u>7,132,495</u>	<u>6,032,957</u>	<u>6,605,234</u>

33 Capital commitments

At 31 December 2022 the group had capital commitments totalling £874,218 (2021 - £1,109,862).

34 Related party transactions

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

Fees of £163,915 (2021 - £169,567) and expenses of £939 (2021 - £855) were payable to related parties in respect of investment monitoring, consultancy fees and non-executive director services. At the year-end a balance of £nil (2021 - £nil) was outstanding.

During the year, Chapel Down Group Plc provided raw materials (wine tank liquid) for £Nil consideration to Aker, an associate undertaking. These raw materials had a cost of £14,207, and were treated as a capital contribution by the company, thus increasing the carrying value of the underlying investment.

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

35 Controlling Party

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