

Gusbourne PLC

Report and financial statements
for the year ended 31 December 2019

Company Number 08225727

Contents

STRATEGIC REPORT

- 4 Chairman's statement
- 5 Chief Executive's review
- 12 Principal risks and uncertainties
- 13 Section 172 statement

DIRECTORS AND REPORT OF THE DIRECTORS

- 15 Board of Directors
- 18 Report of the Directors

FINANCIAL STATEMENTS

- 25 Report of the independent auditors
- 32 Consolidated statement of comprehensive income
- 33 Consolidated statement of financial position
- 35 Consolidated statement of cash flows
- 36 Consolidated statement of changes in equity
- 37 Notes forming part of the financial statements
- 70 Parent company financial statements
- 78 Company information

Strategic Report

Chairman's statement

I am pleased to report that Gusbourne's net revenues continued to grow in 2019, with net revenues for the year at £1,653,000 (2018: £1,261,000), an increase of 31% (2018: 26%) over the prior year and we have expanded our customer base both in the UK and overseas. The Gusbourne business was established sixteen years ago in 2004 and has been selling its award-winning English sparkling wines since 2010. Gusbourne remains one of England's premier sparkling wine businesses and is focused at the luxury end of the market.

Highlights of 2019 include:

- Net revenue* growth of 31% (2018: 26%);
- A successful grape harvest in 2019 with another vintage of high quality and record quantity;
- Continuing success in major wine competitions with over 70 medals at national and international competitions, where Gusbourne is judged against some of the finest wines from around the world. This included "Best English Sparkling Wine" at the International Wine Challenge held in Shanghai;
- Ongoing growth of operations at the Nest – the Company's cellar door, tour and wine tasting operation – which continued to bring many new visitors and customers to our winery and vineyards in Appledore, Kent; and
- Increased investment in the Group's asset base including vineyards, wine inventories, buildings, plant and machinery and the award winning Gusbourne brand.

The Company experienced a strong start to trading in the first three months of the year, with revenue performance ahead of directors' expectations. Since the end of March 2020, the Company's distribution channels have been impacted by COVID-19 although the Company has taken steps to mitigate this impact. Details of the impact of COVID-19 on the Group are provided on page 10 as part of the Chief Executive's review.

I am delighted to report that in June 2020 we entered into a £10.5 million asset-based lending facility with PNC Financial Services UK Ltd ("PNC"). The new facility has been used to refinance certain existing debts and provide additional liquidity and long term finance for the Company at a competitive rate.

I should like to express my sincere thanks for the dedicated efforts of our employees, our loyal customers as well as the support of our shareholders in helping the Group achieve another successful year for the business.

Andrew Weeber
Chairman

* Net revenue represents Revenue after deducting excise duties

Chief Executive's review

I am pleased to report that 2019 has been another year of successful achievement for the Group. Net revenue of £1,653,000 (2018: £1,261,000) was up 31% (2018: 26%) on the prior year. We continue to widen our distribution channels both in the UK and overseas and, I am delighted to report that Gusbourne is now distributed to fifteen countries around the world. We have continued to invest further in sales and marketing through the period to help support further sales growth in the coming years.

The Gusbourne sparkling wine products are at the luxury end of the English sparkling wine market and we are committed to maintaining this premium position. We are delighted that the quality of our products has also been recognised in the United States, an important contributor to our export sales, with a number of prestigious awards for our sparkling wines.

2019 marked our second full year of operations at the Nest, which provides Gusbourne's cellar door sales facilities, tours and wine tasting operations. Situated amongst our vineyards and winery operations in Kent this facility allows us to fully engage with our customers, encouraging them to enjoy the vineyards, visit the winery and taste our wines.

Activities

Gusbourne PLC ("the Company") is engaged, through its wholly owned subsidiary Gusbourne Estate Limited (together the "Group"), in the production and distribution of a range of high quality and award winning English sparkling wines from grapes grown in its own vineyards in Kent and West Sussex. The majority of the Group's vineyards are located at its freehold estate at Appledore in Kent where the winery is also based. The Group now has a total of 231 acres of land under vine with the first plantings dating back to 2004.

Gusbourne Wines

Gusbourne is dedicated to the production of premium sparkling wines from grapes grown exclusively in its own vineyards. Our processes, both in establishing and maintaining the vineyards and in making wine, continue to follow the rigorous principles of careful site selection and attention to detail in all aspects of viticulture and wine production. An integral part of the Group's approach is to age its traditional method sparkling wines for as long as is necessary for the wines to meet optimum maturity. The average production cycle for the wines is four years from harvest to sale.

Recent awards

We have continued our success in major wine competitions winning over 70 medals at national and international competitions, where we are judged against some of the finest wines from around the world. Awards received during the year include:

- 6 gold medals at the Wine GB Awards, out of 8 wines entered (highest ever awarded to one winery). In addition, Gusbourne received 'Best Prestige Cuvée' for the Blanc de Blancs 2013, 'Best Still Pinot Noir' for the Pinot Noir 2016 and 'Best Still Rosé for the Cherry Garden Rosé 2018;
- 3 gold medals at the Champagne and Sparkling Wine World Championships;

Chief Executive's review continued

- 3 gold medals and Varietal Best in Show trophy for the Guinevere 2016 at the London Wine Competition;
- 3 gold medals at the Sommelier Wine Awards, a UK based competition held in May 2019;
- Gold medal at the Global Rosé Masters and Global Sparkling Wine Masters competition, a UK based competition held in September 2019;
- 2 gold medals at the Japan Wines Awards;
- In China on 6 September 2019 Gusbourne was named 'Best English Sparkling Wine' as well as overall 'IWC China Champion Sparkling Wine 2019' at the International Wine Challenge held in Shanghai; and
- On 12 October 2019 'Best recent release: Non-Champagne Sparkling Wine' at the Pinnacle Wine Awards held in Singapore.

Development strategy

Meeting growing customer demand for the Gusbourne wines requires careful long-term planning and key elements of the Group's development strategy include:

- Continuing to produce wines of exceptional quality from grapes grown in our own vineyards;
- The ongoing development and evolution of the award winning Gusbourne brand;
- The further development of the Company's distribution channels, including the promotion of exports as a significant contributor to sales;
- The promotion of the Company's cellar door operation at the Company's winery in Kent. This allows visitors to enjoy vineyard and winery tours and taste our award-winning wines and also helps to promote a closer and more direct relationship with our customers; and
- The investment in additional plant and machinery to keep pace with production growth.

2019 Harvest

The 2019 harvest at Gusbourne has continued the precedent set in recent years, with yet another vintage of high quality and record quantity. Conditions throughout the growing season were generally good, in particular during flowering in June and the critical ripening months of July and August. Despite less favourable weather conditions towards the end of the year the team were able to pick a healthy and ripe crop. Early indications of the resulting wine quality are high.

In accordance with Gusbourne's strict and self-imposed detail-focussed techniques in the vineyard, the team began choosing the best quality fruit during the green harvest towards the latter part of the growing season. This was followed by rigorously selecting only the finest fruit from each vine during harvest which ultimately ensured that all of the grapes which were chosen for pressing were suitably rich, ripe and pure. Desired levels of natural sugar and acidity were present across all three of the varieties that Gusbourne grow - Chardonnay, Pinot Noir and Pinot Meunier.

The resulting wine production has added further to our inventory levels for sale in future years.

Results for the year

Net revenue for the year amounted to £1,653,000 (2018: £1,261,000), an increase of 31% (2018: 26%) over the prior year. Whilst these sales continue to reflect limited stock availability at this time, they do represent continuing like for like growth in the sale of Gusbourne wines since 2013.

Gross profit represents net revenue less cost of sales (cost of wine sold and direct selling costs). Over the last 5 years the gross profit margin has increased from 17% in 2014 to 56% in 2019 (2018: 56%) reflecting economies of scale in respect of the Group's increased production volumes.

It should be noted that the cost of sales relates to the wine sold in the current year which is primarily the wine produced from the 2014 and 2015 harvests, and the benefit of economies of scale at gross margin level will continue, for some time, to trail current year sales.

Operating expenses of £2,902,000 (2018: £2,246,000), included depreciation of £699,000 (2018: £638,000) and also included planned increased expenditure on sales and marketing costs reflecting continuing investment in the development and future growth of the business and its sales beyond the current financial year. This increased investment in future growth is not fully matched by increased revenues in the current year and is the main reason for an increased Adjusted EBITDA loss for the year.

Adjusted EBITDA for the year was a loss of £1,285,000 (2018: £907,000). The operating loss for the year after depreciation and amortisation was £2,156,000 (2018: £1,420,000). The loss before tax was £2,601,000 (2018: £1,767,000) after net finance costs of £445,000 (2018: £347,000).

These losses continue to be in line with expectations and the long-term development strategy of the Group which is based on continuing sales growth of the Gusbourne wines, supported by increasing wine stocks, and which is planned to provide a positive cashflow during the course of the next few years.

Balance Sheet

The changes in the Group's balance sheet during the year reflect expenditure on the ongoing investment in, and development of, the Group's business, net of income from wine sales. The Group invested in plant and equipment for the vineyards and the winery amounting to £310,000 (2018: £698,000) and in buildings of £22,000 (2018: £74,000). Total assets at 31 December 2019 of £23,507,000 (2018: £19,727,000) include freehold land and buildings of £6,383,000 (2018: £6,488,000), vineyards of £3,144,000 (2018: £3,289,000), right of use assets of £2,068,000 (2018: £nil) inventories of wine stocks amounting to £7,463,000 (2018: £5,282,000), and cash of £1,009,000 (2018: £1,311,000). Intangible assets of £1,007,000 (2018: £1,007,000) arose on the acquisition of the Gusbourne Estate business on 27 September 2013.

IFRS 16 Leases has been adopted during in the year. The impact of this is the recognition of a "right of use" asset as at 31 December 2019 of £2,068,000 and additional lease liabilities as at 31 December 2019 of £2,123,000. The impact on the consolidated statement of income has been an increase in the loss before tax of £55,000.

As noted above, our main operating assets continue to grow, which provides further asset backing for our investors as well as support for our planned future sales growth. In particular, the cost of inventories of wine stocks has increased by 41% during the course of the year reflecting a further successful harvest of grapes in 2019.

Intangible assets, which includes the Gusbourne brand itself, remain unimpaired at their historical amount and in accordance with the relevant accounting standards. No account has been taken with regards to any potential fair value uplift that may be appropriate.

Chief Executive's review continued

The Group's net tangible assets at 31 December 2019 amount to £11,187,000 (2018: £13,303,000) and represent 92% of total equity (2018: 93%). Net tangible assets per share at 31 December 2019 was 24.1 pence (2018: 29.1 pence). It is important to note that these net tangible assets figures do not necessarily reflect underlying asset values, in particular in respect of the Group's inventories, which are reported at the lower of cost and net realisable value. These inventories are expected to continue growing until approximately four years after vineyard maturity. These additional four years, reflect the time it takes to transform our high quality grapes into Gusbourne's premium sparkling wine. The anticipated underlying surplus of net realisable value over cost of these wine inventories, which is not reflected in these accounts and in the net tangible assets per share quoted above, will become an increasingly significant factor of the Group's asset base as the inventories continue to grow.

Financing

The Group's activities are financed by shareholder's equity and debt which comprises loans, lease liabilities, other borrowings and deep discount bonds. At 31 December 2019 debt amounted to £10,561,000 (2018: £4,934,000) and represents 87% of total equity (2018: 34%). Excluding the impact of IFRS 16 and the resulting right of use asset and lease liability, debt would amount to £8,438,000 and represent 83% of total equity. Details of the initial and continuing recognition of leases under IFRS 16 Leases are shown in the accounting policy note on page 60.

On 31 May 2019, Gusbourne entered into an agreement with a company controlled by Lord Ashcroft KCMG PC, a substantial shareholder in Gusbourne, to receive an unsecured loan facility of up to £2,000,000, repayable on 31 October 2019. Under the terms of the Loan Agreement, should the loan not be repaid on 31 October 2019, the loan will become repayable on demand subject to such repayment not being in breach of the Company's existing banking facilities or if such repayment caused the Company to be unable to meet its creditors as they fall due. As at the 31 December 2019 the loan had not been repaid and incurs interest of 15% per annum. The lender can use its sole discretion to exercise any warrants held in Gusbourne; the amount to be subscribed pursuant to such exercise, will be deemed to be satisfied to the extent of the amount outstanding in respect of the loan and amount of accrued but unpaid interest at the time of exercise.

On 23 December 2019, Gusbourne announced that its subsidiary Gusbourne Estate Limited entered into an agreement with Franove Holdings Limited, a company wholly owned by Paul Bentham, a Non-Executive Director of Gusbourne, to receive an unsecured short term loan facility of £1,250,000 which is repayable on 10 December 2020. Interest is payable on repayment of the debt at 15% per annum.

Post period-end, on 1 June 2020, Gusbourne announced that its subsidiary Gusbourne Estate Limited has entered into an agreement with PNC Business Credit, a trading style of PNC Financial Services UK Ltd, for up to £10.5m of asset-based lending facilities. (the "PNC Facilities"). The PNC Facilities will primarily be used to provide working capital for the Group. It will also be used to refinance certain existing loan facilities.

The PNC Facilities will be provided on a revolving basis over a minimum period of 5 years and allow flexible drawdown and repayments in line with the Company's working capital requirements. The interest rate will be at the annual rate of 3 per cent over the Bank of England Base Rate. The facilities will be secured by way of first priority charges over the Company's inventory, receivables and freehold property as well as an all assets debenture.

On completion approximately £4.6m of the PNC Facilities was drawn down by Gusbourne Estate Limited with approximately £2.1m being used to repay the existing secured Barclays bank facilities in full, £1.3m was used to part repay the existing short term loans to Franove Holdings Limited and a company controlled by Lord Ashcroft KCMG PC. The balance of £1.2m will be used for working capital. Further drawdowns will be made from time to time in line with the needs of the business.

Of the £1.3m drawdown at completion to part repay existing short-term loans, £0.8m was used to part repay a short-term loan of £1.25m received on 23 December 2019 from Franove Holdings Limited. £0.5m was used to part repay a short-term loan of £2.0m received on 31 May 2019 from a company controlled by Lord Ashcroft.

Following these repayments Franove Holdings Limited has agreed to extend the repayment date of its outstanding loan of £0.5m to 15 August 2021, at the same 15% rate of interest, with the loan becoming secured behind PNC at the same ranking as the existing outstanding deep discount bonds issued by the Company. Gusbourne Estate Limited has also agreed with Franove that in the event it seeks to repay its loans (excluding its PNC facilities) further, the repayment of the Franove Holdings Limited loan will take priority.

The remaining Lord Ashcroft loan of £1.7m has been refinanced, by a company controlled by him, with a new deep discount bond maturing on 15 August 2021 and with a coupon of 15% per annum rolled quarterly and secured behind PNC at the same ranking as the existing outstanding bonds issued by the Company.

The achievement of the Group's long-term development strategy will depend on the raising of further equity and/or debt funds to achieve those goals. The production of premium quality wine from new vineyards is, by its very nature, a long-term project. It takes four years to bring a vineyard into full production and a further four years to transform these grapes into Gusbourne's premium sparkling wine. Additional funding will continue to be sought by the Company over the coming few years to fund ongoing growth in the Company's operations and asset base, in line with its development strategy.

Going concern

The Directors believe the Group to be a going concern on the basis that it has sufficient cash available from committed facilities to continue operations for at least 12 months from the date these financial statements were approved and in addition will not breach any of its key covenants during this period.

In coming to their conclusion, the Directors have considered the Group's profit and cash flow plans for the coming period, and in the light of the outbreak of COVID-19 have run various downside "stress test" scenarios. These scenarios assess the impact of COVID-19 on the Group over the next 12 months and in particular on the Group's sales through its key distribution channels. These stress tests indicate the Group can withstand any ongoing adverse impact on revenues for at least the next 12 months.

In addition, these stress test scenarios assess the Group's potential debt requirements against the Group's £10.5m asset-based lending facility, of which c. £5.8m is undrawn on the date on which these financial statements were approved. The stress test scenarios do not show a requirement in excess of the Group's undrawn facilities nor do they show the Group breaching any of its key covenant tests on the monthly testing points which start from 31 December 2020.

The stress test scenarios also include certain cost mitigation actions, including but not limited to furloughing of certain staff, operating cost reductions and reduced capital expenditure.

Chief Executive's review continued

Under the significant stress test scenarios we have run the Group could withstand a material and prolonged adverse impact on revenues and continue to operate within the available lending facilities. Accordingly, the Group and the Company continues to adopt the going concern basis in preparing its Financial Statements.

The Board have also assessed the ability of the Group to repay its existing deep discount bonds and a short-term loan which are due for maturity in August 2021. Whilst these amounts fall due for repayment outside of the stress test scenarios referred to above the Board believe that the Group will be able to raise further equity and/or debt funds to repay or refinance these amounts as and when they fall due as well as providing additional funds for further development of the Group.

Current trading and outlook

The growing season in 2020 has started slightly later than average, but consistently warm spring weather has led to strong even growth and high potential fruitfulness. The vines will remain subject to the normal seasonal climatic and disease risks throughout the remaining part of the growing season. Above average yields from the 2019 harvest have allowed us to increase our wine stocks for future sales.

The Company experienced a strong start to trading in the first three months of the year with revenue performance ahead of directors' expectations. However, since the end of March 2020, the Company's distribution channels have been impacted by COVID-19. The Company has engaged in a number of new sales initiatives to mitigate this impact and the directors are pleased to report increasing demand for wine in some channels, especially online.

On the production side, both vineyard and winery operations have continued to work through the lockdown with appropriate safety protocols put in place. The Company has furloughed a number of staff members, particularly in the sales function and taken various steps to reduce costs at this time.

Whilst the immediate outlook for sales remains uncertain, the directors remain confident about the Group's longer-term prospects beyond COVID-19.

We are delighted to have secured significant asset-based financing facilities from PNC and which aligns with the working capital requirements of the business. We are pleased to welcome PNC as a key stakeholder and look forward to working with them as we continue to develop our business over the coming years.

Finally, I would like to thank all our employees for their hard work, dedication, and attention to detail in applying their considerable skills and talents to the production and sale of our award-winning wines and in particular in dealing with the challenges COVID-19 brings.

Principal risks and uncertainties

Details of these are shown on pages 12 and 13.

Charlie Holland
Chief Executive

Key Performance Indicators

| Years ended 31 December | 2019 £'000 | 2018 £'000 | 2017 £'000 | 2016 £'000 | 2015 £'000 |
|--------------------------------|----------------|---------------|---------------|---------------|---------------|
| Net revenue* | 1,653 | 1,261 | 998 | 640 | 473 |
| Gross profit percentage | 56% | 56% | 62% | 34% | 31% |
| Adjusted EBITDA** | (1,285) | (907) | (663) | (811) | (761) |

| Investment in tangible assets by year | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|
| Investment in vineyard establishment | 0 | 141 | 86 | 338 | 786 |
| Investment in freehold land and buildings | 22 | 74 | 1,090 | 414 | 664 |
| Investment in plant, machinery, vehicle and other equipment | 317 | 727 | 607 | 364 | 473 |
| Investment in property, plant and equipment | 339 | 942 | 1,783 | 1,116 | 1,923 |
| Increase in inventories | 2,204 | 1,798 | 1,237 | 536 | 276 |
| Total investment in tangible assets | 2,543 | 2,740 | 3,020 | 1,652 | 2,199 |

| At 31 December | 2019 £'000 | 2018 £'000 | 2017 £'000 | 2016 £'000 | 2015 £'000 |
|----------------|---------------|---------------|---------------|---------------|---------------|
|----------------|---------------|---------------|---------------|---------------|---------------|

| Key balance sheet ratios | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Net tangible assets as a percentage of total equity | 92% | 93% | 92% | 87% | 89% |
| Gearing (Debt as percentage of equity) | 87% | 34% | 39% | 83% | 42% |
| Number of shares in issue | 46,478,619 | 45,671,683 | 39,366,986 | 23,639,762 | 23,639,762 |
| Net tangible assets per share (pence) | 24.1 | 29.1 | 28.8 | 28.9 | 35.3 |

| Net assets | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|
| Freehold land and buildings | 6,383 | 6,488 | 6,539 | 5,543 | 5,198 |
| Vineyards | 3,144 | 3,289 | 3,260 | 3,256 | 2,972 |
| Right of use assets | 2,068 | - | - | - | - |
| Plant, machinery, vehicle and other equipment | 1,636 | 1,757 | 1,431 | 1,131 | 1,001 |
| Total non-current assets | 13,231 | 11,534 | 11,230 | 9,930 | 9,171 |
| Inventories | 7,463 | 5,282 | 3,484 | 2,247 | 1,711 |
| Net working capital (current receivables less current payables) | 45 | 110 | (77) | 62 | 95 |
| Cash | 1,009 | 1,311 | 1,464 | 1,123 | 1,328 |
| Net tangible assets before debt | 21,748 | 18,237 | 16,101 | 13,362 | 12,305 |
| Bonds, loans, lease liabilities and other borrowings | (10,561) | (4,934) | (4,778) | (6,537) | (3,952) |
| Net tangible assets | 11,187 | 13,303 | 11,323 | 6,825 | 8,353 |
| Goodwill | 1,007 | 1,007 | 1,007 | 1,007 | 1,007 |
| Net assets and equity | 12,194 | 14,310 | 12,330 | 7,832 | 9,360 |

* Net revenue represents Revenue after deducting excise duties.

** Adjusted EBITDA means profit from operations/(loss from operations) before fair value movement in biological produce, interest, tax, depreciation and amortisation.

The Directors believe that Adjusted EBITDA provides shareholders with a useful representation of the underlying earnings from the Group's business. The Directors have therefore excluded the fair value movement in biological produce on the basis that the charge is non cash in nature and does not reflect the underlying performance of business.

Principal risks and uncertainties

Financing

The Group plans to raise further equity and/or debt funds in the future to fund the Group's development strategy over the coming years, through the issue of Gusbourne PLC shares and/or the raising of debt finance. Such funding may not be achieved and additional shares may have a dilutive effect on existing shareholders.

Mitigation: The Group's senior management team has carefully developed its long term business planning processes in support of any such new investment and the Group benefits from a loyal and supportive shareholder base.

Climate change

The Directors believe that climatic conditions in the South of England in recent years have generally been favourable to the growing of grapes used in sparkling wine production. However grape yields can be affected by certain adverse weather patterns such as late frosts and lack of sunshine during the flowering period. These climatic impacts can be quite localised. Please also refer to the paragraph ("Crop disease") below.

Mitigation: The Group's strategy to mitigate this risk is to monitor the micro climate in its existing vineyards through the use of temperature loggers and weather stations, with particular regard to late frosts, so that appropriate action can be promptly taken with the use of specialist frost prevention equipment. The Group has also mitigated this risk by planting vines on carefully selected sites in both West Sussex and Kent which are each subject to separate climatic conditions.

Crop disease

Commercial viticulture is a farming system prone to disease pressures. The relatively cool climate of the UK can exacerbate these pressures. While there is no significant pressure from fatal diseases threatening vine growing in the UK at present, there are certain diseases which may reduce yield under adverse climatic circumstances.

Mitigation: These risks can be mitigated through good husbandry and management practices. Please also refer to the paragraph "Climate change" above.

Competition

With the anticipated continuing growth in vineyard plantings in the South of England, the supply of English sparkling wine is likely to continue to increase and provide increased competition from other suppliers. This may adversely affect retail prices of English sparkling wine and the assumed levels of pricing in the Group's development strategy may not be achieved. The English sparkling wine industry may also face stronger competition from similar overseas products, which could also adversely affect the retail prices of the Gusbourne wines.

Principal risks and uncertainties

continued

Mitigation: The Group's strategy remains to produce the highest quality products and develop the Gusbourne brand with related support to attract and retain customer loyalty. The Group's strategy to develop exports as a significant contribution to sales will also mitigate this competitive risk in the UK market.

EU Referendum

Following the result of the EU referendum and the departure from the EU on 31 January 2020 there is some ongoing uncertainty regarding the impact of this result on companies operating in the UK and future political, trade and economic relationships with the EU.

Although the future relationship between the United Kingdom and the European Union is currently unclear, reduced access to EU labour could cause industry wage expenditure to rise, putting pressure on margins. In addition reduced access to EU sales market could cause sales to the EU to reduce and/or the cost of these sales to increase.

Mitigation: The Group continues to monitor developments with regards to the future relationship with the EU whilst putting in place plans to deal with any adverse effects of the proposed relationship in order to mitigate the impact on the Group.

COVID-19

The outbreak of COVID-19 has created economic uncertainty. Whilst the immediate outlook for sales remains uncertain, the directors remain confident about the Group's longer-term prospects beyond COVID-19.

Mitigation: The Group has set out its mitigation plans associated with COVID-19 as part of its Going Concern consideration shown on pages 9 and 37

Section 172 statement

This section serves as our s172 statement and should be read in conjunction with the whole Strategic Report.

The Directors are required by the Companies Act 2006 to act in the way they consider, in good faith, would be most likely to promote success of the Group for the benefit of its shareholders as a whole and in doing so are required to have regard for the following :

- the likely long term consequences of any decision;
- the interests of the Group's employees;
- the need to foster the Group's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between shareholders of the Company.

In 2019 the Group adopted the Corporate Governance Code for Small and Mid-Size Quoted Companies from the Quoted Companies Alliance (the "QCA Code"). The Board's view is that the QCA Code is an appropriate code of conduct for the Group. There are details of how the Group applies the ten principles of the QCA Code on pages 19 to 23 of the directors report.

Principal risks and uncertainties

continued

The Chairman's and Chief Executive Officer's statements describe the Group's activities, strategy and future prospects, including the considerations for long term decision making on pages 5 to 10.

The Board considers that its major stakeholders are its employees, customers, lenders and shareholders. When making decisions, the interests of these stakeholders is considered informally as part of the Board's group discussions.

The Board maintains a good relationship with the Group's employees. The Board has constructive dialogue with employees through the Executive Directors. Appropriate remuneration and incentive schemes including bonuses and commissions are implemented to align employees' objectives with those of the Group.

The Board ensures that the Group maintains good relationships with its suppliers by contracting on their standard business terms and paying them promptly, within agreed and reasonable terms.

Major customers are engaged with regularly. The Board receives regular reports on progress with customer relationships to ensure that their decision making takes into account the needs of the customer base.

The Board does not believe that the Group has a significant impact on the environments within which it operates. The Board recognises that the Group has a duty to be responsible and is conscious that its business processes minimise harm to the environment, and that it contributes as far as is practicable to the local communities in which it operates.

The Board recognises the importance of maintaining high standards of business conduct. The Group operates appropriate policies on business ethics and provides mechanisms for whistle blowing and complaints which all employees are aware of.

The Board aims to maintain good relationships with its shareholders and treats them equally. Further details of the how the Board communicates with its shareholders are shown on page 23.

As required by section 414CZA(1) of The Companies (Miscellaneous Reporting Regulations) we include below how the Directors have had regard to the matters set out in section 172(1) on the principal decisions taken in the 2019 financial year.

New West Sussex long term farm business tenancies - April 2019

The Group entered into a new long term farm business tenancy in respect of an additional 73 acres of land adjacent to its existing vineyards in West Sussex. The Company intended to plant additional vines on 57 acres of this land in 2020, which were expected to start producing grapes in 2022. The lease has a term of 50 years from September 2019. This decision was taken with a view to increasing the Group's acreage under vine and in due course to increase the Group's production volumes and efficiency. Subsequent to the year end the Board made the decision to postpone the planting of the Vines on this land in light of COVID-19.

Financing - June 2019 and December 2019

Details of the new financing arrangements entered into by the Group are shown on pages 8 and 9.

The strategic report on pages 4 to 14 has been approved by the Board and signed on its behalf by:

Charlie Holland

Chief Executive Officer

Board of Directors

Andrew Weeber BSc, MB ChB, FCS, Non-Executive Chairman

Member of the Audit, Remuneration and Nomination Committees

After graduating from the University of Stellenbosch in 1968 with a BSc in Biochemistry & Physiology, Andrew continued to a Bachelor of Medicine and Surgery. He specialised at the University of Cape Town, and was awarded his FCS in Trauma and Orthopaedic Surgery in 1984.

Andrew went on to pursue a career spanning more than 20 years practising as a consultant orthopaedic surgeon in South Africa and the United Kingdom, whilst simultaneously pursuing his entrepreneurial interests. In 1986 he co-founded, and successfully exited, the 247-bed private Vergelegen Mediclinic Hospital, near Cape Town. In 1988 Andrew's interest in wine and biochemistry led him to acquire a 50% stake in a Robertson wine estate. He sold the estate in 1991 and moved to the United Kingdom in 1992.

In the United Kingdom, he developed an orthopaedic unit within the Friarage Hospital in North Yorkshire. He oversaw its growth to a regional specialisation centre, employing 21 surgeons. During this time, Andrew was appointed to the Medical Committee of the Football Association of England. Andrew retired from medicine in 2004 and focused on his personal business interests, primarily the development of the Gusbourne Estate; a project which he had established a year earlier on his 500 acre Estate in Kent. The first vintage was released in 2010 to critical acclaim and received numerous awards. This firmly established Gusbourne Estate's position at the forefront of premium English wine.

Andrew has held several board memberships, including 6 years at the 15,000 acre Alpheus Williams & Son Timber Corporation, until its successful acquisition by the SAPP 1 Group.

Mike Paul, Non-Executive Deputy Chairman

Member of the Audit, Remuneration and Nomination Committees

Mike is currently a director of the Million Foundation Limited and has worked in the wine industry for over thirty years. Having received a postgraduate Diploma in Business Studies, he became the Managing Director of the premium wine agency Percy Fox, representing a number of luxury wine brands. In 1990 Mike became European Director responsible for the development of Southcorp's business in Europe. He led Southcorp to become a major player in the UK wine market with brands such as Penfolds and Lindemans. In 2002 Mike was appointed Managing Director of Western Wines (UK), a leading importer of South African, Chilean and Italian wines, and owner of the leading South African brand, Kumala.

He is closely involved with Wine GB, the organisation that represents UK wine producers.

Board of Directors continued

**Charlie Holland BA, BSc,
Chief Winemaker and Chief Executive Officer**

Charlie, who has been head of wine making at Gusbourne for over seven years, joined the board in October 2016 as Chief Winemaker and Chief Executive Officer. He is responsible for winemaking at Gusbourne but also represents the Company as its Chief Executive Officer and manages the day to day running of the business in conjunction with Jon Pollard and other members of the executive team in what remains a highly collaborative and relatively flat organisation.

Charlie holds a degree in marketing and a BSc in Viticulture and Oenology from Plumpton College. He has held a number of overseas wine making positions including in France, Germany, Australia, New Zealand and California. Prior to joining Gusbourne Charlie was winemaker for four years at Ridgeview, a well-known English sparkling wine producer.

**Jon Pollard, BSc,
Chief Vineyard Manager and Chief Operating Officer**

Jon has been the vineyard manager at the Gusbourne Estate since the first vines were planted sixteen years ago in 2004. He joined the board on 26 October 2016 as Chief Vineyard Manager and Chief Operating Officer. He continues to be responsible for Gusbourne's vineyards and work closely with Charlie Holland on the day to day operations of the business.

Jon holds an honours degree in general agriculture from the University of Aberdeen and is also a graduate in wine studies from Plumpton College. He has worked closely with Andrew Weeber over the past twelve years to establish the vineyards which are widely regarded as some of the best in the country in terms of both grape quality and yield. Jon supervises the vineyard operations in both Kent and West Sussex and works closely with the Chief Winemaker to ensure the quality and consistency of the final product.

**Lord Arbuthnot PC,
Non-Executive Director**

Chairman of the Remuneration and Nomination Committees and member of the Audit Committee

James Arbuthnot was a Conservative MP for 28 years and served as Minister for Defence Procurement, Chief Whip and Chairman of the Defence Select Committee. He was appointed to the House of Lords in 2015.

James is the Chairman of the Information Assurance Advisory Council, and of the Nuffield Trust for the Forces of the Crown, and of the Airey Neave Trust, and a member of the Advisory Board of the Royal United Services Institution (RUSI) and of Montrose Associates.

He is chairman of the Advisory Board of the defence company Thales (UK) and Chairman of Electricity Resilience Ltd.

**Paul Bentham,
Non-Executive Director**

Member of the Audit, Remuneration and Nomination Committees

Paul is the founder and currently a Non-Executive Director of Retail Merchant Group Ltd. With a background in card payment services and retail banking projects he was the founder and previously the Executive Chairman of Cardsave UK Ltd. He is also engaged in various commercial and residential property projects, including investment-grade office and warehouse sites.

**Matthew Clapp BA, MBA,
Non-Executive Director**

Member of the Audit, Remuneration and Nomination Committees

Matthew is a non-executive Chairman of Shutdown Maintenance Services Ltd, a director of MDC Consulting Limited and a director of Joseridan Family Office. Matthew also consults for Levendi Investment Management, an investment advisory firm that advises on the use of structured investments and derivatives with over £800 million of assets under advice.

Matthew has spent over 15 years working in the markets for high end real estate developments, private members clubs and financial services. Matthew holds an MBA and is a Freeman of the City of London.

**Ian Robinson BA, FCA,
Non-Executive Director**

Chairman of the Audit Committee and member of the Remuneration and Nomination Committees

Ian is currently Non-Executive Chairman of Jaywing Plc, an AIM listed agency and consulting business specialising in data science. He is also a director of a number of privately-owned businesses.

He has held other senior financial appointments both in the UK and overseas. He is a Fellow of the Institute of Chartered Accountants in England & Wales and holds an honours degree in economics from The University of Nottingham.

Report of the Directors

for the year ended 31 December 2019

The Directors present their report together with the audited financial statements for the year ended 31 December 2019.

As a Company whose shares are traded on the AIM market of the London Stock Exchange, the Company complies with the Quoted Companies Alliance ('QCA') Corporate Governance Code ('the Code') and its Statement of Compliance with the same can be found on the Company website www.gusbourne.com/investors.

Results and dividends

The consolidated statement of comprehensive income is set out on page 32 and shows the result for the year. No dividend was declared (December 2018: £Nil).

Principal activities

The principal activities of Gusbourne PLC ("the Company") and its subsidiaries ("the Group") comprise the production, sale and distribution of English sparkling wine.

Review of the business and future developments

A review of the business together with an indication of future developments is given in the Chairman's statement on page 4 and in the Chief Executive's review on pages 5 to 11. Principal risks and uncertainties are shown on pages 12 and 13.

Subsequent events

Details of subsequent events are shown in note 24 to the financial statements.

Directors

The Directors of the Company during the year were as follows:

Andrew Weeber (Non-Executive Chairman)

Mike Paul (Non-Executive Deputy Chairman)

Charlie Holland (Chief Executive Officer)

Jon Pollard (Chief Operating Officer)

Lord Arbuthnot PC (Non-Executive Director)

Paul Bentham (Non-Executive Director)

Matthew Clapp (Non-Executive Director)

Ian Robinson (Non-Executive Director)

The beneficial interest of Directors who held office at 31 December 2019 in the share capital of the Company is shown below:

Ordinary shares of 1 pence each

| | December 2019 | | December 2018 | |
|-------------------|---------------|------------|---------------|------------|
| | Number | Percentage | Number | Percentage |
| Andrew Weeber | 2,722,221 | 5.9% | 2,722,221 | 6.0% |
| Paul Bentham | 1,021,704 | 2.2% | 938,370 | 2.1% |
| Ian Robinson | 522,753 | 1.1% | 481,086 | 1.1% |
| Lord Arbuthnot PC | 106,360 | 0.2% | 106,360 | 0.2% |
| Matthew Clapp | 73,027 | 0.2% | 73,027 | 0.2% |
| Jon Pollard | 42,186 | 0.1% | 42,186 | 0.1% |
| Charlie Holland | 42,000 | 0.1% | 42,000 | 0.1% |
| Mike Paul | 130,806 | 0.3% | 110,806 | 0.2% |

Corporate governance

Statement of Compliance with the QCA Corporate Governance Code

Chairman's Introduction

The Board of Gusbourne plc have adopted the Quoted Companies Alliance (QCA) Corporate Governance Code in line with the London Stock Exchange's changes to the AIM Rules requiring all AIM-listed companies to adopt and comply with a recognised corporate governance code from 28 September 2018. Our report sets out in broad terms how we presently comply with this code. We will also provide annual updates on our compliance with the code.

Principle 1: Establish a strategy and business model which promote long-term value for shareholders

Please refer to the Chief Executive's review on page 5.

Principle 2: Seek to understand and meet shareholder needs and expectations

The Company remains committed to listening and communicating openly with its shareholders to ensure that its strategy, business model and performance are clearly understood.

Private shareholders

The AGM is the main forum for dialogue with retail shareholders and the Board. The Notice of Meeting is sent to shareholders at least 21 days before the meeting. The chairs of the Board and all committees, together with all other Directors, routinely attend the AGM and are available to answer questions raised by shareholders. For each vote, the number of proxy votes received for, against and withheld is announced at the meeting. The results of the AGM are subsequently published via RNS.

The Board as a whole is kept informed of the views and concerns of major shareholders. Members of the Board are available to meet with major shareholders if required to discuss issues of importance to them.

Report of the Directors continued

Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long- term success.

Engaging with our stakeholders, including shareholders, suppliers, customers and employees, strengthens our relationships and helps the Board to understand the issues that matter most to them and our business and enables us to make better business decisions and deliver on our commitments.

Feedback from our stakeholders is continually monitored and reviewed by the Board with appropriate actions taken as necessary.

Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation

The principal risks and uncertainties facing the Company are set out on pages 12 and 13. This section also details how these risks are mitigated. They are also subject to regular review by the Audit Committee.

Principle 5: Maintaining the Board as a well-functioning, balanced team led by the Chair

The Board comprises the Non-Executive Chairman, two Executive Directors and five Non-Executive Directors. The Board maintains a suitable balance between independence and knowledge of the Company and its market, to enable it to discharge its duties and responsibilities effectively. All Directors are encouraged to use their independent judgement and to challenge all matters, both operational and strategic. The Company believes stability of the Board is essential to the execution of long-term strategic plans.

The annual minimum time commitment is ten days per year for the Non-Executive Directors. They are also required to spend appropriate preparation time ahead of each Board meeting. The Executive Directors are full-time employees.

The Non-Executive Directors are all deemed to be independent, save for Ian Robinson due to links with the Company's largest shareholder, Lord Ashcroft KCMG PC.

The Company has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board.

Further information on the board's skill set, including biographies of each director and their relevant expertise can be found on pages 15 to 17.

Principle 6: Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience for the market in which the Company operates together with the financial and general management skills, including accounting practices and broader plc governance experience, to deliver the necessary input to and oversight of the different opportunities and threats the Company faces.

Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

Both the Chairman, Andrew Weeber and the Deputy Chairman, Mike Paul assess the individual contributions of each of the members of the team to ensure that:

- Their contribution is relevant and effective;
- That they are committed; and
- Where relevant, they have maintained their independence.

Over the next 12 months we intend to review the performance of the team as a unit to ensure that the members of the board collectively function in an efficient and productive manner. This will be done by surveying the Company's senior leadership team, as well as through other stakeholder engagement,

The make-up of the Board and succession planning is reviewed periodically to ensure the Company is not unduly exposed to either the loss of members of the Board or poor performance. Board members are re-elected every three years.

Principle 8: Promote a culture that is based on ethical values and behaviours

The Board aims to lead by example and do what is in the best interests of the Company. Our culture is highly collaborative in what remains a relatively flat organisation, with employees from across the business encouraged to work closely together, value the contribution that each person makes and always act in the best interests of the customer.

Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

Board programme

The Board meets at least four times each year where it sets direction for the Company.

A schedule of dates is compiled before the beginning of each financial year for that year's four Board meetings, aligned as optimally as possible with the Company's financial and trading calendars, while also ensuring an appropriate spread of meetings across the financial year. This may be supplemented by additional meetings as and when required.

Before each meeting, a formal agenda is produced, and the Board and its Committees receive relevant papers several days before meetings take place. Each matter is discussed, and any Director may challenge Company proposals, after which decisions are taken democratically. Should any Director have any concern that remains unresolved, they may ask for that concern to be noted in the minutes of the meeting, which are then circulated to all Directors. The Board or relevant Committee may agree actions, which are then followed up by the Company's management.

Roles of the Board, Chairman and Chief Executive Officer

The Board is responsible for the long-term success of the Company. There is a formal schedule of matters reserved to the Board. It is responsible for overall Group strategy; approval of major investments (whether Capex or Opex); approval of the annual and interim results; annual budgets; dividend policy; and Board structure. It monitors the exposure to key business risks and reviews the strategic direction of all trading subsidiaries, their annual budgets and their performance in relation to those budgets. There is a clear division of responsibility at the head of the Company. The Chairman is responsible for running the business of the Board and for ensuring appropriate strategic focus and direction. The Chief Executive Officer is responsible for proposing the strategic focus to the Board, implementing it once it has been approved and overseeing the management of the Company through the Executive Team.

Report of the Directors continued

All Directors regularly receive relevant and timely information on the Group's operational and financial performance in advance of meetings. The business reports monthly on its headline performance against its agreed budget, and prior year performance and the Board reviews the monthly update on performance with any significant variances reviewed at each meeting. Where appropriate, senior executives below Board level may attend Board meetings to present business updates.

Executive Team

The Executive Team consists of Charlie Holland (Chief Executive Officer) and Jon Pollard (Chief Operating Officer) and with input from the divisional managers and teams. They are responsible for formulation of the proposed strategic focus for submission to the Board, the day-to-day management of the Group's businesses and its overall trading, operational and financial performance in fulfilment of that strategy, as well as plans and budgets approved by the Board of Directors. It also manages and oversees key risks, management development and corporate responsibility programmes. The Chief Executive Officer reports to the plc Board on issues, progress and recommendations for change.

Board committees

The Board is supported by the Audit, Remuneration and Nomination committees. Each committee has access to any resources, information and advice it deems necessary, at the cost of the Company, to enable the committee to discharge its duties. The terms of reference of each committee are available on the Gusbourne plc investors' website.

The Remuneration Committee comprises Lord Arbuthnot PC (Chairman), Andrew Weeber, Paul Bentham, Matthew Clapp, Ian Robinson and Mike Paul and meets at least twice a year and at such other times as the Chairman of the Committee requires. The Committee considers all material elements of the remuneration policy to ensure that remuneration is sufficient to attract, retain and motivate Executive Directors and senior management of the quality required to manage the Group successfully. This is performed with reference to independent remuneration research and professional advice. The Committee recommends to the Board the framework for the remuneration packages of the individual Executive Directors. The Board is then responsible for implementing the recommendations although no Director is involved in deciding his own remuneration. The Directors are not permitted to vote on their own terms and conditions of remuneration.

The Audit Committee comprises Ian Robinson (Chairman), Andrew Weeber, Lord Arbuthnot PC, Paul Bentham, Matthew Clapp and Mike Paul and meets at least twice a year and at such other times as the Chairman of the Committee requires. The external auditors attend for part or all of each meeting. The Committee is responsible for reviewing a wide range of matters, including half-year and annual results before their submission to the Board, and for monitoring the controls that are in force to ensure the integrity of information reported to shareholders. The Committee advises the Board on the appointment of external auditors and on their remuneration for both audit and non-audit work, and discusses the nature, scope and results of the audit with the external auditors. The Committee keeps under review the cost effectiveness and the independence and objectivity of the external auditors. The Audit Committee is further responsible for ensuring that the ethical and compliance commitments of management and employees are understood throughout the Group.

The Committee has considered that in light of the present size of the Group that a separate internal audit function is not currently required. The Committee's position on the internal audit function is reviewed regularly, at least once a year.

The Nomination committee comprises Lord Arbuthnot PC (Chairman), Andrew Weeber, Paul Bentham, Matthew Clapp, Ian Robinson and Mike Paul and meets at least twice a year. The Committee is responsible for reviewing the composition and structure of the Board and for making recommendations to the Board for its consideration and approval.

Principle 10: Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Company communicates with shareholders through the Annual Report and Accounts, full-year and half-year announcements, RNS and RNS Reach for significant developments, the Annual General Meeting (AGM) and one-to-one meetings with large existing or potential new shareholders. A range of corporate information, including all Company announcements, is also available to shareholders, investors and the public on the Company's investor website, www.gusbourneplc.com.

The Board receives regular updates on the views of shareholders through briefings and reports from other members of the Board and the Company's brokers. The Company regularly seeks feedback from employees through a number of mechanisms. This information is used to improve service in general as well as addressing

Substantial shareholdings

Current shareholdings in excess of 3%:

| <u>Shareholder</u> | <u>Shareholding</u> |
|-----------------------|---------------------|
| Lord Ashcroft KCMG PC | 71.0% |
| Andrew Weeber | 5.9% |

At 31 December 2019 the ultimate controlling party of the Company is Lord Ashcroft KCMG PC.

Charitable and political donations

During the year, the Group made charitable and political donations of £nil (December 2018: £Nil).

Directors' third party indemnity provisions

The Group maintains appropriate insurance to cover Directors' and Officers' liability. The Group provides an indemnity in respect of all the Group's Directors. Neither the insurance nor the indemnity provides cover where the Director has acted fraudulently or dishonestly.

Financial risk management

The Group's objectives and policies relating to financial risk management are fully explained in Note 3 on pages 47 to 49.

Directors' responsibilities

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

Report of the Directors continued

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements and the Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 Group and Company and of the profit or loss of the Group for that year. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the Group and the Company financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Auditors

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purpose of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

A resolution to reappoint BDO LLP as auditors will be proposed at the next annual general meeting.

By order of the Board

Ian Robinson

Secretary and Non-Executive Director

Date: 24 June 2020

Report of the independent auditors for the year ended 31 December 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GUSBOURNE PLC

Opinion

We have audited the financial statements of Gusbourne Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019 which comprise the consolidated statement of financial position, the parent company balance sheet, the consolidated statement of comprehensive income, the consolidated and parent company statements of cash flows, the consolidated and parent company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union ;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; 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 and the Parent Company 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.

Report of the independent auditors

for the year ended 31 December 2019

continued

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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) we identified, including 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.

| KEY AUDIT MATTER | HOW THE SCOPE OF OUR AUDIT ADDRESSED THE KEY AUDIT MATTER |
|--|--|
| <p>Going concern – Note 1 on pages 37 and 38</p> <p>The directors are required to consider whether the Group has adequate working capital facilities to operate for the foreseeable future, which is considered to be a period of at least one year from the date of approval of the financial statements. There is significant judgement and estimation involved in this assessment.</p> <p>This is considered to be the key area of focus for the our audit given the business is in the development stage and since the Group’s long term development strategy is dependent on the raising of further equity and/or debt funds in order to fund the Group’s area under vine and infrastructure to support it.</p> <p>The outbreak of COVID-19 has also impacted the operations of the Group.</p> | <p>We reviewed and challenged the Director’s forecasts to assess the Company’s ability to meet their financial obligations as they fall due within the period of twelve months from the date of approval of the financial statements. This included reviewing the assumptions and inputs in the cashflow forecast to assess whether these were in line with our understanding of the Company’s operations and other information obtained by us during the course of the audit. The forecasts included the Director’s reverse stress test of the business as discussed in note 1.</p> <p>We performed a mechanical check on the Group’s cash flow forecast prepared by Management. We have challenged the assumptions within the forecast such as comparing the revenue forecasted to initial and revised budgets as well as trading in the past two months and discussed them with management.</p> <p>We performed sensitivity analysis on the cashflow forecasts and assessed the available headroom under sensitivity scenarios. We considered whether the operating cost and capital expenditure were contracted for.</p> <p>We agreed the cash received and paid on the recent re-financing activities as well as the signed agreements. This included agreement of the cashflows in early June 2020 on the re-finance of the Barclays and other related party loans.</p> <p>We agreed the terms of the new loan facility and deep discounted bonds that are repayable in August 2021 to signed agreements.</p> <p>We reviewed the disclosure included within the financial statements, including the new £10.5 million asset-based lending facility with PNC Financial Services UK Ltd.</p> <p>Key observations:</p> <p>Our observations are set out in the Conclusions relating to going concern section above.</p> |

Report of the independent auditors

for the year ended 31 December 2019

continued

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on the audit in forming our audit opinion. Materiality is assessed on both quantitative and qualitative grounds.

We consider materiality to be the magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements.

We determined materiality for the Group financial statements as a whole to be £150,000 (2018: £150,000) which was set at 0.6% of Group total assets (2018: 0.8%).

We determined that total assets would be the most appropriate basis for determining overall materiality as we consider it to be one of the principal considerations for the users of the financial statements in assessing the financial performance of the Group.

Materiality in respect of the audit of the parent company and its only component has been set at £135,000 based on 90% of group materiality (2018: £135,000, based on 90% of group materiality).

Performance materiality is used to scope areas of the financial statements and business and activities ('components') of groups that will be subject to audit. Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole.

On the basis of our risk assessment, together with our assessment of the Group's overall control environment, our judgement was that performance materiality should be 75% (2018: 75%) of materiality, being £112,500 (2018: £112,500).

We determined that the same measure as the Group was appropriate for the parent company, and the performance materiality applied was £101,250 (2018: £101,250).

We agreed with the Audit Committee that we would report to the Committee all individual audit differences in excess of £7,500 (2018: £7,500). We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

We designed our audit by determining materiality and assessing the risks of material misstatements in the financial statements. In particular, we looked at where the Directors make subjective judgements. We also address the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that might represent a risk of material misstatement due to fraud.

The Group operates solely in the United Kingdom through its only component and operates through one segment, the production, sale and distribution of English sparkling wine. The Group audit team performed all the work necessary to issue the Group and Parent Company audit opinions, including undertaking all of the audit work on the key risks of material misstatement. We also carried out a full scope audit of the component.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Report and Financial Statements, 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.

In connection with our audit of the financial statements, 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the 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 strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Report of the independent auditors for the year ended 31 December 2019 continued

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

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

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on pages 23 and 24, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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 Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Charles Ellis
(Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

24 June 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated statement of comprehensive income

for the year ended 31 December 2019

| | Note | Year ended 31 December 2019 £'000 | Year ended 31 December 2018 £'000 |
|---|------|--|--|
| Revenue | 4 | 1,845 | 1,388 |
| Excise duties | | (192) | (127) |
| Net revenue | | 1,653 | 1,261 |
| Cost of sales | | (735) | (560) |
| Gross profit | | 918 | 701 |
| Fair value movement in biological produce | | (172) | 125 |
| Administrative expenses | | (2,902) | (2,246) |
| Loss from operations | 5 | (2,156) | (1,420) |
| Finance expenses | 8 | (445) | (347) |
| Loss before tax | | (2,601) | (1,767) |
| Tax expense | 9 | - | - |
| Loss and total comprehensive for the year attributable to owners of the parent | | (2,601) | (1,767) |
| Loss per share attributable to the ordinary equity holders of the parent: | | | |
| Basic (pence) | 10 | (5.67) | (4.62) |
| Diluted (pence) | 10 | (5.67) | (4.62) |

The notes on pages 37 to 69 form part of these financial statements

Consolidated statement of financial position

at 31 December 2019

| | Note | 31 December 2019 £'000 | 31 December 2018 £'000 |
|--------------------------------|------|------------------------------|------------------------------|
| Assets | | | |
| Non-current assets | | | |
| Intangibles | 11 | 1,007 | 1,007 |
| Property, plant and equipment | 12 | 13,231 | 11,534 |
| Other receivables | 15 | 90 | 97 |
| | | 14,328 | 12,638 |
| Current assets | | | |
| Biological Produce | 13 | - | - |
| Inventories | 14 | 7,463 | 5,282 |
| Trade and other receivables | 15 | 707 | 496 |
| Cash and cash equivalents | | 1,009 | 1,311 |
| | | 9,179 | 7,089 |
| Total assets | | 23,507 | 19,727 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 16 | (752) | (483) |
| Loans and borrowings | 17 | (3,379) | (34) |
| Lease liabilities | 18 | (123) | (47) |
| | | (4,254) | (564) |
| Non-current liabilities | | | |
| Loans and borrowings | 17 | (5,026) | (4,820) |
| Lease liabilities | 18 | (2,033) | (33) |
| | | (7,059) | (4,853) |
| Total liabilities | | (11,313) | (5,417) |
| Net assets | | 12,194 | 14,310 |

Consolidated statement of financial position

at 31 December 2019

continued

| | Note | 31 December 2019 £'000 | 31 December 2018 £'000 |
|---|------|---------------------------|---------------------------|
| Issued capital and reserves attributable to owners of the parent | | | |
| Share capital | 21 | 12,048 | 12,040 |
| Share premium | 22 | 10,915 | 10,438 |
| Merger reserve | 22 | (13) | (13) |
| Retained earnings | 22 | (10,756) | (8,155) |
| Total equity | | 12,194 | 14,310 |

The financial statements were approved and authorised for issue by the Board of Directors on 24 June 2020 and were signed on its behalf by:

Andrew Weeber

Non-Executive Chairman

Charlie Holland

Chief Executive Officer

The notes on pages 37 to 69 form part of these financial statements

Consolidated statement of cash flows

for the year ended 31 December 2019

| | Note | 31 December 2019 £'000 | 31 December 2018 £'000 |
|--|------|------------------------------|------------------------------|
| Cash flows from operating activities | | | |
| Loss for the year before tax | | (2,601) | (1,767) |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 12 | 699 | 638 |
| Finance expense | 8 | 445 | 347 |
| Fair value movement in biological produce | 13 | 172 | (125) |
| Increase in trade and other receivables | | (209) | (316) |
| Increase in inventories | | (2,220) | (1,673) |
| Increase in trade and other payables | | 269 | 125 |
| Cash outflow from operations | | (3,445) | (2,771) |
| Investing activities | | | |
| Purchases of property, plant and equipment, excluding vineyard establishment | 12 | (339) | (801) |
| Investment in vineyard establishment | 12 | - | (141) |
| Sale of property, plant and equipment | | 11 | - |
| Net cash from investing activities | | (328) | (942) |
| Financing activities | | | |
| Capital loan repayments | | (34) | (34) |
| Short term loan | | - | 1,000 |
| New loans issued | | 3,250 | - |
| Repayment of lease liabilities | | (125) | (49) |
| Interest paid | | (90) | (104) |
| Loan issue costs | | (15) | - |
| Issue of ordinary shares | 21 | 485 | 2,783 |
| Share issue expenses | | - | (36) |
| Net cash from financing activities | | 3,471 | 3,560 |
| Net increase/(decrease) in cash and cash equivalents | | (302) | (153) |
| Cash and cash equivalents at the beginning of the year | 19 | 1,311 | 1,464 |
| Cash and cash equivalents at the end of the year | 19 | 1,009 | 1,311 |

*Non-cash transaction

The short-term loan of £1,000,000 received in the year ended 31 December 2018 was used as part settlement monies due under the share subscription which completed on 11 September 2018.

The notes on pages 37 to 69 form part of these financial statements

Consolidated statement of changes in equity

for the year ended 31 December 2019

| | Share capital £'000 | Share premium £'000 | Merger reserve £'000 | Retained earnings £'000 | Total attributable to equity holders of parent £'000 |
|---|------------------------|------------------------|-------------------------|----------------------------|---|
| 1 January 2018 | 11,977 | 6,754 | (13) | (6,388) | 12,330 |
| Comprehensive loss for the year | - | - | - | (1,767) | (1,767) |
| Contributions by and distributions to owners: | | | | | |
| Share issue | 63 | 3,720 | - | - | 3,783 |
| Share issue expenses | - | (36) | - | - | (36) |
| 31 December 2018 | 12,040 | 10,438 | (13) | (8,155) | 14,310 |
| 1 January 2019 | 12,040 | 10,438 | (13) | (8,155) | 14,310 |
| Comprehensive loss for the year | - | - | - | (2,601) | (2,601) |
| Contributions by and distributions to owners: | | | | | |
| Share issue | 8 | 477 | - | - | 485 |
| 31 December 2019 | 12,048 | 10,915 | (13) | (10,756) | 12,194 |

The notes on pages 37 to 69 form part of these financial statements

Notes forming part of the financial statements

for the year ended 31 December 2019

1 Accounting policies

Gusbourne PLC (the “Company”) is a company incorporated and domiciled in the United Kingdom and quoted on the London Stock Exchange’s AIM market. The consolidated financial statements of the Group for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the “Group”).

Basis of preparation

The Group’s consolidated financial statements and the Company’s financial statements have been prepared in accordance with International Financial Reporting Standards as adopted for use in the EU (“IFRS”). The Company’s financial statements are presented on pages 70 to 77.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group’s financial statements.

The financial statements are presented in pounds sterling. They have been prepared on the historical cost basis except that biological produce is stated at fair value.

Going concern

The Directors believe the Group to be a going concern on the basis that it has sufficient cash available from committed facilities to continue operations for at least 12 months from the date these financial statements were approved and in addition will not breach any of its key covenants during this period.

In coming to their conclusion, the Directors have considered the Group’s profit and cash flow plans for the coming period, and in the light of the outbreak of COVID-19 have run various downside “stress test” scenarios. These scenarios assess the impact of COVID-19 on the Group over the next 12 months and in particular on the Group’s sales through its key distribution channels. These stress tests indicate the Group can withstand any ongoing adverse impact on revenues for at least the next 12 months.

In addition, these stress test scenarios assess the Group’s potential debt requirements against the Group’s £10.5m asset-based lending facility, of which c. £5.8m is undrawn on the date on which these financial statements were approved. The stress test scenarios do not show a requirement in excess of the Group’s undrawn facilities nor do they show the Group breaching any of its key covenant tests on the monthly testing points which start from 31 December 2020.

The stress test scenarios also include certain cost mitigation actions, including but not limited to furloughing of certain staff, operating cost reductions and reduced capital expenditure.

Notes forming part of the financial statements continued

1 Accounting policies (continued)

Under the significant stress test scenarios, we have run, the Group could withstand a material and prolonged adverse impact on revenues and continue to operate within the available lending facilities. Accordingly, the Group and the Company continues to adopt the going concern basis in preparing its Financial Statements.

The Board have also assessed the ability of the Group to repay its existing deep discount bonds and a short-term loan which are due for maturity in August 2021. Whilst these amounts fall due for repayment outside of the stress test scenarios referred to above the Board believe that the Group will be able to raise further equity and/or debt funds to repay or refinance these amounts as and when they fall due as well as providing additional funds for further development of the Group.

The financial statements do not include any adjustments should the going concern basis of preparation be inappropriate.

New accounting standards and changes to existing accounting standards

i. New standards and interpretations adopted in the current year:

- IFRS 16 Leases

IFRS 16 Leases

The Group has entered into a number of long term leases in respect of land and buildings in West Sussex on which the Group has planted vineyards. The leases have a remaining life of 43 and 50 years. The Group has assessed the leases under IFRS 16 and a right of use asset and lease liability have been recognised in the consolidated statement of financial position for the first time in respect of its current operating leases. The Group has reviewed its leases and decided to account for IFRS 16 on the modified retrospective approach using a single discount rate for leases with similar characteristics.

The Group has performed a quantitative assessment based on the current leases in place and a right of use asset and associated lease liability of £1,488,000 has been recognised on adoption of IFRS 16 with a further amount of £626,000 recognised on leases entered into during the period. The impact on the consolidated statement of income has been an increase in the loss before tax of £55,000. No amounts have been restated in prior periods.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case The Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

1 Accounting policies (continued)

Right-of-use assets are initially measured at the amount of the lease liability.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the leases. When The Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

Basis of consolidation

The Group's financial statements consolidate the financial statements of the Company and its subsidiary undertakings. Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities and the ability to use its power over the investee to affect the amounts of the Group's returns and which generally accompanies interest of more than one half of the voting rights. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The results of any subsidiaries sold or acquired are included in the Group income statement up to, or from, the date control passes. Intra-Group sales and profits are eliminated fully on consolidation.

On acquisition of a subsidiary, all of the subsidiary's separable, identifiable assets and liabilities existing at the date of acquisition are recorded at their fair values reflecting their condition at that date. On disposal of a subsidiary, the consideration received is compared with the carrying cost at the date of disposal and the gain or loss is recognised in the income statement. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets is recorded as goodwill. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Subsidiaries' results are amended where necessary to ensure consistency with the policies adopted by the Group.

Revenue

The majority of the group's revenue is derived from selling goods with revenue recognised at a point in time when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customer. However, for export sales, control might also be transferred when the goods are dispatched by the Group or delivered either to the port of departure or port of arrival, depending on specific terms of the contract

Notes forming part of the financial statements continued

1 Accounting policies (continued)

with a customer. There is limited judgement needed in identifying the point control passes: once physical delivery of the products to the agreed location has occurred, the group no longer has physical possession, usually will have a present right to payment and retains none of the significant risks and rewards of the goods in question.

All of the Group's revenue is derived from fixed price contracts and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices.

For all contracts there is a fixed unit price for each product sold. Therefore, there is no judgement involved allocating the contract price to each unit ordered in such contracts (it is the number of units multiplied by the fixed unit price for each product sold). Where a customer orders more than one product line, the Group is able to determine the split of the total contract price between each product line by reference to each product's standalone selling prices (all product lines are capable of being, and are, sold separately).

Revenue from vineyard tours and tastings is recognised on the date on which the tour or tasting takes place.

Net revenue is revenue less excise duties. The Group incurs excise duties in the United Kingdom and is a production tax which becomes payable once the Group's products are removed from bonded premises and are not directly related to the value of revenue. It is not included as a separate item on invoices issued to customers. Where a customer fails to pay for the Group's products the Group cannot reclaim the excise duty. The Group therefore recognises excise duty as a cost of the Group.

Financial assets

Debt instruments at amortised cost

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. The financial assets meet the SPPI test and are held in a 'hold to collect' business model and therefore classified at amortised cost.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for trade receivables. The historical loss rates are adjusted for current and forward looking information relevant to the Group's customers.

1 Accounting policies (continued)

For trade receivables, which are reported net, such expected credit losses are recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less.

Financial liabilities

Borrowings

Borrowings are initially recognised at fair value net of any transaction costs directly attributable to the loan. They are subsequently measured at amortised cost with interest charged to the statement of comprehensive income based on the effective interest rate of the borrowings.

Deep discount bonds

Deep discount bonds are redeemable at their nominal price at maturity. The discount is charged over the life of the bond to the statement of comprehensive income and included within finance expenses.

Warrants

Warrants issued to shareholders as part of an equity fund raise are accounted for as equity instruments. Details of Warrants are shown in note 21.

Trade and other payables

Comprises trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Share capital

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability.

The Group's ordinary shares are classified as equity instruments.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;

Notes forming part of the financial statements continued

1 Accounting policies (continued)

- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable group company; or
- different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Intangible Assets

Goodwill

Goodwill arises where a business is acquired and a higher amount is paid for that business than the fair value of the assets and liabilities acquired. Transaction costs attributable to acquisitions are expensed to the income statement.

Goodwill is recognised as an asset in the statement of financial position and is not amortised but is subject to an annual impairment review. Impairment occurs when the carrying value of goodwill is greater than the recoverable amount which is the higher of the value in use and fair value less disposal costs. The present value of the estimated future cash flows from the separately identifiable assets, termed a 'cash generating unit' is used to determine the fair value less cost of disposal to calculate the recoverable amount. The Group prepares and approves formal long term business plans for its operations which are used in these calculations.

1 Accounting policies (continued)

Brand

Brand names acquired as part of acquisitions of businesses are capitalised separately from goodwill as intangible assets if their value can be measured reliably on initial recognition and it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group.

Brand names have been assessed as having an indefinite life and are not amortised but are subject to an annual impairment review. Impairment occurs when the carrying value of the brand name is greater than the present value of the estimated future cash flows.

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs.

Freehold land is not depreciated.

Vineyard establishment represents the expenditure incurred to plant and maintain new vineyards until the vines reach productivity. Once the vineyards are productive the accumulated cost is transferred to mature vineyards and depreciated over the expected useful economic life of the vineyard. Vineyard establishment is not depreciated.

Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

| | |
|-------------------------------------|-------------------------------|
| Freehold buildings | 4% per annum straight line |
| Plant, machinery and motor vehicles | 5-25% per annum straight line |
| Computer equipment | 33% per annum straight line |
| Mature vineyards | 4% per annum straight line |

The carrying value of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Biological assets and produce

Agricultural produce is accounted for under IAS 41 Agriculture. Harvesting of the grape crop is ordinarily carried out in October. The grapes are therefore measured at fair value less costs to sell in accordance with IAS 41 with any fair value gain or loss shown in the consolidated statement of comprehensive income. The fair value of grapes is determined by reference to estimated market prices at the time of harvest. Generally there is no readily obtainable market price for the Group's grapes because they are not sold on the open market, therefore management set the values based on their experience and knowledge of the sector including past purchase transactions. This measurement of fair value less costs to sell is the deemed cost of the grapes that is transferred into inventory upon harvest.

Notes forming part of the financial statements continued

1 Accounting policies (continued)

Under IAS 41, the agricultural produce is also valued at the end of each reporting period, with any fair value gain or loss shown in the consolidated statement of comprehensive income.

Bearer plants are accounted for under IAS 16 and are held at cost.

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs, including depreciation on right of use assets and interest on lease liabilities, incurred in bringing the inventories to their present location and condition. Grapes grown in the Group's vineyards are included in inventory at fair value less costs to sell at the point of harvest which is the deemed cost for the grapes.

Weighted average cost is used to determine the cost of ordinarily interchangeable items.

Leased assets - year ended 31 December 2018

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Group (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the consolidated statement of comprehensive income over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an "operating lease"), the total rentals payable under the lease are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis. During the year ended 31 December 2018 £88,000 in respect of operating leases was capitalised as part of inventory.

Leased assets - year ended 31 December 2019

All leases are accounted for by recognising a right-of-use asset and a lease liability except for leases of low value assets and leases with an expected full term of 12 months or less.

**1 Accounting policies
(continued)**

Lease liabilities are measured at the present value of the unpaid contractual payments over the expected lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used.

On initial recognition, the carrying value of the lease liability also includes amounts expected to be payable under any residual value guarantee; the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to exercise that option; and any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for lease payments made at or before commencement of the lease and initial direct costs incurred.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at a revised discount rate that is implicit in the lease for the remainder of the lease term. The carrying value of lease liabilities is similarly revised if any variable element of future lease payments dependent on a rate or index is revised. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining lease term.

Right-of-use assets are reviewed regularly to ensure that the useful economic life of the asset is still appropriate based on the usage of the asset. Where the asset has reduced in value the Group considers the situation on an asset-by-asset basis and either treats the reduction as an acceleration of depreciation or as an impairment under IAS 36 'Impairment of Assets'. An acceleration of depreciation occurs in those cases where there is no opportunity or intention to utilise the asset before the end of the lease.

Notes forming part of the financial statements continued

2 Critical accounting policies

Estimates and judgements

The Group makes certain estimates and judgements regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relate are set out below.

There were no areas of judgement in the year. Where estimates and assumptions have been used these are outlined below.

Fair value of biological produce

The Group's biological produce is measured at fair value less costs to sell at the point of harvest. The fair value of grapes is determined by reference to estimated market prices at the time of harvest. Generally there is no readily obtainable market price for the Group's grapes because they are not sold on the open market, therefore management set the values based on their experience and knowledge of the sector including past purchase transactions. Refer to note 13 which provides information on sensitivity analysis around this.

Impairment reviews

The Group is required to test annually whether goodwill and brand names have suffered any impairment. The recoverable amount is determined based on fair value less costs of disposal calculations, which requires the estimation of the value and timing of future cash flows and the determination of a discount rate to calculate the present value of the cash flows. Further information is set out in note 11. Management does not believe that any reasonably possible change in a key assumption would result in impairment.

Lease interest rates

When calculating the lease liability and related right-of-use asset under IFRS 16 'Leases', unless stipulated clearly when taking on the liability the Group uses an incremental borrowing rate calculation to determine the relevant rate. Consideration is taken over the term of the lease and any specific risks relating to the assets acquired by an individual lease.

Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

2 Critical accounting policies(continued)

- Level 1: Quoted prices in active markets for identical items (unadjusted)
- Level 2: Observable direct or indirect inputs other than Level 1 inputs
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

- Intangibles (Note 11)
- Biological Produce (Note 13)

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

3 Financial instruments - risk management

The Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Bank loans
- Deep discount bonds
- Trade receivables
- Cash and cash equivalents
- Finance leases
- Trade and other payables

In addition, at the Company level: Intercompany loans.

The carrying amounts are a reasonable estimate of fair values because of the short maturity of such instruments or their interest bearing nature.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the

Notes forming part of the financial statements continued

3 Financial instruments - risk management (continued)

risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The liquidity risk of the Group is managed centrally by the group treasury function. Budgets are set and agreed by the board in advance, enabling the Group's cash requirements to be anticipated.

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

| At 31 December 2018 | Up to 3 months £'000 | Between 3 and 12 months £'000 | Between 1 and 2 years £'000 | Between 2 and 5 years £'000 | Over 5 years £'000 | Total £'000 |
|--------------------------|-------------------------|----------------------------------|--------------------------------|--------------------------------|-----------------------|----------------|
| Trade and other payables | 388 | 95 | - | - | - | 483 |
| Other borrowings | 13 | 40 | 32 | 7 | - | 92 |
| Loans and borrowings | 29 | 87 | 116 | 2,095 | - | 2,327 |
| Deep discount bonds | - | - | - | 3,390 | - | 3,390 |
| Total | 430 | 222 | 148 | 5,492 | - | 6,292 |

| At 31 December 2019 | Up to 3 months £'000 | Between 3 and 12 months £'000 | Between 1 and 2 years £'000 | Between 2 and 5 years £'000 | Over 5 years £'000 | Total £'000 |
|--------------------------|-------------------------|----------------------------------|--------------------------------|--------------------------------|-----------------------|----------------|
| Trade and other payables | 436 | 250 | - | - | - | 686 |
| Other borrowings | 12 | 15 | 6 | - | - | 33 |
| Loans and borrowings | 2,190 | 1,539 | 2,082 | - | - | 5,811 |
| Deep discount bonds | - | - | 3,390 | - | - | 3,390 |
| Lease liabilities | 25 | 75 | 100 | 298 | 4,185 | 4,683 |
| Total | 2,663 | 1,879 | 5,578 | 298 | 4,185 | 14,603 |

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares and increase or decrease debt.

3 Financial instruments - risk management (continued)

Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions and the risk of default by these institutions. The Group reviews the creditworthiness of such financial institutions on a regular basis to satisfy itself that such risks are mitigated. The Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of the cash and cash equivalents as shown in the consolidated statement of financial position.

Credit risk also arises from credit exposure to trade customers included in trade and other receivables.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. The expected loss rates are based on the Group's historical credit losses experienced over the three-year period to the period end. Trade receivable balances are monitored on an ongoing basis to ensure that the Group's bad debts are kept to a minimum. The maximum trade credit risk exposure at 31 December 2019 in respect of trade receivables is £344,000 (2018: £213,000) and due to the prompt payment cycle of these trade receivables, the expected credit loss is negligible at £13,000 (2018: £3,000).

Further disclosures regarding trade and other receivables are provided in note 15.

Interest rate risk

The Group's main debt is exposed to interest rate fluctuations. The Group considers that the risk is not significant in the context of its business plans. Should there be a 0.5% increase in the bank's lending rate, the finance charge in the statement of comprehensive income would increase by £10,000.

4 Revenue and Segmental information

| | Year ended 31 December 2019 £'000 | Year ended 31 December 2018 £'000 |
|----------------|--|--|
| Wine Sales | 1,717 | 1,277 |
| Other income | 128 | 111 |
| Revenue | 1,845 | 1,388 |

The Directors consider the Group to have only one operating segment. Details of the sole operating segment are shown in the consolidated statement of comprehensive income, consolidated statement of financial position and consolidated statement of cash flows.

Notes forming part of the financial statements continued

4 Revenue and Segmental information (continued)

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

| | Year ended 31 December 2019 £'000 | Year ended 31 December 2018 £'000 |
|-------|--|--|
| UK | 1,553 | 1,209 |
| USA | 130 | 37 |
| Other | 162 | 142 |
| | 1,845 | 1,388 |

The Directors do not consider the Group places reliance on any major customers.

5 Loss from operations

Loss from operations has been arrived at after charging:

| | Year ended 31 December 2019 £'000 | Year ended 31 December 2018 £'000 |
|--|--|--|
| Depreciation of property, plant and equipment | 699 | 638 |
| Staff costs expensed to consolidated statement of income | 835 | 552 |

6 Auditor's remuneration

| | Year ended 31 December 2019 £'000 | Year ended 31 December 2018 £'000 |
|-----------------------------------|--|--|
| Auditor's remuneration | | |
| - Audit: consolidation and parent | 48 | 39 |
| - Audit: subsidiaries | 16 | 12 |
| | 64 | 51 |

7 Staff costs

| | Year ended 31 December 2019 £'000 | Year ended 31 December 2018 £'000 |
|---|--|--|
| Staff costs (including Directors) comprise: | | |
| Wages and salaries | 1,283 | 965 |
| Social security contributions and similar taxes | 132 | 90 |
| Pension contributions | 59 | 32 |
| | 1,474 | 1,087 |

7 Staff costs (continued)

£639,000 (2018: £535,000) of the staff costs shown in the table above have been included in crop growing costs for the year as shown in note 13.

The average number of employees of the Group, including Directors, during the year was 43 (December 2018: 32).

Directors' remuneration was as follows:

| | Year ended 31 December 2019 £'000 | Year ended 31 December 2018 £'000 |
|--|--|--|
| The total emoluments of all Directors during the year was: | | |
| Emoluments (including benefits) | 269 | 258 |
| | 269 | 258 |
| Contributions to defined contribution pension plans | 11 | 9 |
| Total | 280 | 267 |

| | Year ended 31 December 2019 £'000 | Year ended 31 December 2018 £'000 |
|---|--|--|
| Total emoluments for all directors excluding pension contributions: | | |
| A Weeber | 6 | 36 |
| M Paul | 48 | 48 |
| C Holland | 96 | 79 |
| J Pollard | 84 | 65 |
| Lord Arbuthnot PC | - | - |
| P Bentham | - | - |
| M Clapp | 35 | 30 |
| I Robinson | - | - |
| Total | 269 | 258 |

Notes forming part of the financial statements continued

7 Staff costs (continued)

| | Year ended 31 December 2019 £'000 | Year ended 31 December 2018 £'000 |
|-----------------------|--|--|
| Pension contributions | | |
| J Pollard | 6 | 5 |
| C Holland | 5 | 4 |

The emoluments of the highest paid Director during the year were: 96 79

The total emoluments for C Holland and J Pollard include benefits to the value of £1,000 (2018: £4,000) and £nil (2018: £nil) respectively.

The Directors are considered to be key management

| | Year ended 31 December 2019 £'000 | Year ended 31 December 2018 £'000 |
|---|--|--|
| Key management personnel costs were as follows: | | |
| Short term employment benefits | 242 | 258 |
| Social security contributions | 22 | 26 |
| | 264 | 284 |

8 Finance expenses

| | Year ended 31 December 2019 £'000 | Year ended 31 December 2018 £'000 |
|--|--|--|
| Finance expenses | | |
| Interest payable on borrowings | 200 | 104 |
| Amortisation of bank transaction costs | 5 | 4 |
| Discount expense on deep discount bond | 240 | 239 |
| Total finance expenses | 445 | 347 |

9 Taxation

There is no current or deferred tax charge for the year (2018: £nil).

| | Year ended 31 December 2019 £'000 | Year ended 31 December 2018 £'000 |
|--|--|--|
| Loss on ordinary activities before tax | (2,601) | (1,767) |
| Loss on ordinary activities at the standard rate of corporation tax in the UK for the year of 19% (December 2018: 19%) | (494) | (336) |
| Effects of: | | |
| Expenses not deductible for tax purposes | 144 | 122 |
| Unprovided deferred tax movements on short term temporary differences | (116) | (105) |
| Unrecognised losses carried forward | 466 | 319 |
| Tax charge/(credit) for the year | - | - |

No deferred tax asset has been recognised on unutilised taxable losses due to the lack of certainty over the taxable profits being available against which deductible temporary differences can be utilised. The unutilised tax losses carried forward are £11,525,000 (December 2018: £9,009,000).

10 Loss per share

Basic earnings per ordinary share are based on a loss of £2,601,000 (December 2018: £1,767,000) and ordinary shares 45,848,874 (December 2018: 38,265,254) of 1 pence each, being the weighted average number of shares in issue during the year.

| | Loss £'000 | Weighted average number of shares | Loss per Ordinary share pence |
|------------------------------------|----------------|--|-------------------------------------|
| Year ended 31 December 2019 | (2,601) | 45,848,874 | (5.67) |
| Year ended 31 December 2018 | (1,767) | 38,265,254 | (4.62) |

Notes forming part of the financial statements continued

10 Loss per share (continued)

Diluted earnings per share are based on a loss of £2,601,000 and ordinary shares of 45,848,373 and no dilutive warrant options.

| | Loss £'000 | Diluted number of shares | Loss per Ordinary share pence |
|------------------------------------|----------------|--------------------------------|-------------------------------------|
| Year ended 31 December 2019 | (2,601) | 45,848,874 | (5.67) |
| Year ended 31 December 2018 | (1,767) | 38,265,254 | (4.62) |

11 Intangibles

| | Goodwill £'000 | Brand £'000 | Total £'000 |
|---|-------------------|----------------|----------------|
| Cost | | | |
| At 1 January 2019 and 31 December 2019 | 777 | 230 | 1,007 |
| Impairment losses | | | |
| At 1 January 2019 and 31 December 2019 | - | - | - |
| Net book value | | | |
| At 31 December 2018 and 31 December 2019 | 777 | 230 | 1,007 |

The carrying value of goodwill and the brand is allocated to the following cash-generating units:

| | December 2019 £'000 | December 2018 £'000 |
|-------------------------|---------------------------|---------------------------|
| Gusbourne Estate | 1,007 | 1,007 |

The brand value is the fair value of the brand name acquired as part of the acquisition of Gusbourne Estate in September 2013, and separately identified as an intangible.

Goodwill is the premium paid to acquire the Gusbourne Estate business over the fair value of its net assets.

Given the long term nature of vineyard establishment and wine production the Group's management prepare long term cash flow forecasts for up to 9 years, and then apply a discount rate to determine the present value of the future cash flows of the cash-generating unit to arrive at the fair value less costs of disposal. Where this amount is lower than the carrying value of the brand and goodwill allocated to the cash-generating unit an impairment

11 Intangibles (continued)

charge is made. The discount rate used is 13.8% (December 2018: 13.8%) based on the Group's estimated weighted cost of capital. A growth rate of 2.5% has been applied over the term of the long term cash flow forecasts. The growth rate used is based on the long term average growth rate of the UK economy.

The discount rate used would need to increase to 18.7% to result in an impairment of the Goodwill.

The fair value of intangibles is categorised as a level 3 recurring fair value measurement.

12 Property, plant and equipment

| | Freehold Land and Buildings £'000 | Plant, machinery and motor vehicles £'000 | Vineyard establishment £'000 | Right of use asset £'000 | Mature Vineyards £'000 | Computer equipment £'000 | Total £'000 |
|------------------------------------|--|---|------------------------------------|--------------------------------|------------------------------|--------------------------------|----------------|
| Cost | | | | | | | |
| At 1 January 2018 | 6,792 | 2,213 | 863 | - | 2,633 | 55 | 12,556 |
| Additions | 74 | 698 | 141 | - | - | 29 | 942 |
| Transfers | - | - | (1,004) | - | 1,004 | - | - |
| Disposals | - | - | - | - | - | - | - |
| At 31 December 2018 | 6,866 | 2,911 | - | - | 3,637 | 84 | 13,498 |
| At 1 January 2019 | 6,866 | 2,911 | - | - | 3,637 | 84 | 13,498 |
| Additions - adoption of IFRS 16 | - | - | - | 1,488 | - | - | 1,488 |
| Additions | 22 | 310 | - | 626 | - | 7 | 965 |
| Disposals | - | (23) | - | - | - | (1) | (24) |
| At 31 December 2019 | 6,888 | 3,198 | - | 2,114 | 3,637 | 90 | 15,927 |

Notes forming part of the financial statements continued

12 Property, plant and equipment (continued)

| | Freehold Land and Buildings £'000 | Plant, machinery and motor vehicles £'000 | Vineyard establishment £'000 | Right of use asset £'000 | Mature Vineyards £'000 | Computer equipment £'000 | Total £'000 |
|----------------------------------|--|---|------------------------------------|--------------------------------|------------------------------|--------------------------------|----------------|
| Accumulated depreciation | | | | | | | |
| At 1 January 2018 | 253 | 806 | - | - | 236 | 31 | 1,326 |
| Depreciation charge for the year | 125 | 389 | - | - | 112 | 12 | 638 |
| Depreciation on disposals | - | - | - | - | - | - | - |
| At 31 December 2018 | 378 | 1,195 | - | - | 348 | 43 | 1,964 |
| At 1 January 2019 | 378 | 1,195 | - | - | 348 | 43 | 1,964 |
| Depreciation charge for the year | 127 | 412 | - | 46 | 145 | 15 | 745 |
| Depreciation on disposals | - | (13) | - | - | - | - | (13) |
| At 31 December 2019 | 505 | 1,594 | - | 46 | 493 | 58 | 2,696 |
| Net book value | | | | | | | |
| At 31 December 2018 | 6,488 | 1,716 | - | - | 3,289 | 41 | 11,534 |
| At 31 December 2019 | 6,383 | 1,604 | - | 2,068 | 3,144 | 32 | 13,231 |

Within property, plant and equipment are assets with a carrying value of £27,000 (2018: £79,000) held under hire purchase contracts and shown within other borrowings.

Right of use assets comprise land leases on which vines have been planted and property leases from which vineyard operations are carried out. These assets have been created under IFRS 16 - Leases. £1,488,000 of the additions shown in the table above relate to leases in place as at 1 January 2019 with the remaining £626,000 relating to a new lease entered into during the year.

13 Biological produce

The fair value of biological produce was:

| | December 2019 £'000 | December 2018 £'000 |
|---|---------------------------|---------------------------|
| At 1 January | - | - |
| Crop growing costs | 1,510 | 1,191 |
| Fair value of grapes harvested and transferred to inventory | (1,338) | (1,316) |
| Fair value movement in biological produce | (172) | 125 |
| At 31 December | - | - |

13 Biological produce (continued)

The fair value of grapes harvested is determined by reference to estimated market prices less cost to sell at the time of harvest. The estimated market price for grapes used in respect of the 2019 harvest is £2,300 per tonne (2018: £2,300 per tonne).

A 10% increase in the estimated market price of grapes to £2,530 per tonne would result in an increase of £134,000 (2018: £132,000) in the fair value of the grapes harvested in the year. A 10% decrease in the estimated market price of grapes to £2,070 per tonne would result in a decrease of £134,000 (2018: £132,000) in the fair value of the grapes harvested in the year.

A fair value loss of £172,000 (2018: £125,000 gain) was recorded during the year and included within the consolidated statement of comprehensive income. This measurement of fair value less costs to sell is the deemed cost of the grapes that is transferred into inventory upon harvest.

As a result of the adoption of IFRS16 in the year the fair value loss is £55,000 higher than if IFRS 16 had not been adopted.

The fair value of biological produce is categorised as a level 3 recurring fair value measurement.

14 Inventories

| | December 2019 £'000 | December 2018 £'000 |
|--------------------------|---------------------------|---------------------------|
| Finished goods | 440 | 123 |
| Work in progress | 7,023 | 5,159 |
| Total inventories | 7,463 | 5,282 |

During the year £547,000 (December 2018: £449,000) was transferred to cost of sales.

15 Trade and other receivables

| | December 2019 £'000 | December 2018 £'000 |
|--|---------------------------|---------------------------|
| Non current assets | | |
| Other receivables | 90 | 97 |
| Current assets | | |
| Trade receivables | 317 | 318 |
| Prepayments | 361 | 122 |
| Other receivables | 29 | 56 |
| Total trade and other receivables | 797 | 593 |

Notes forming part of the financial statements continued

15 Trade and other receivables (continued)

Trade and other receivables are due within 1 year apart from £90,000 (December 2018: £97,000) included within other receivables which is due in more than 1 year.

The Group undertakes a credit check on any new customers and also monitors the credit worthiness of existing customers. If a customer fails the credit checking process then they are required to make payment up front for any goods or services. At 31 December 2019 the lifetime expected loss provision for trade receivables is 4% (£13,000) - 2018 1% (£3,000). This is based on expected credit losses from previous losses incurred by the Group.

16 Trade and other payables

| | December 2019 £'000 | December 2018 £'000 |
|---|---------------------------|---------------------------|
| Trade payables | 493 | 272 |
| Accruals | 160 | 135 |
| Other payables | 46 | 38 |
| Total financial liabilities, excluding loans and borrowings classified as financial liabilities measured at amortised cost | 699 | 445 |
| Other payables - tax and social security payments | 53 | 38 |
| Total trade and other payables | 752 | 483 |

Book values are approximate to fair value at 31 December 2019 and 31 December 2018.

17 Loans and borrowings

| | December 2019 £'000 | December 2018 £'000 |
|-----------------------------------|---------------------------|---------------------------|
| Current liabilities | | |
| Bank loans | 34 | 34 |
| Other loans | 3,345 | - |
| | 3,379 | 34 |
| Non current liabilities | | |
| Bank loans | 2,025 | 2,059 |
| Deep Discount Bonds | 3,001 | 2,761 |
| Total loans and borrowings | 5,026 | 4,820 |

**17 Loans and borrowings
(continued)**

The bank loan of £2,025,000 carries interest at an annual rate of 3% over Barclays Bank plc base rate and is due for repayment in full on 15 November 2021. It is secured by way of a fixed charge over the Group's land and buildings at Appledore, Kent, shown at a cost of £5,390,000 (2018: £5,390,000) within property, plant and equipment and a floating charge over all other property and undertakings.

Other bank loans of £34,000 carry a fixed interest rate of 6% per annum secured against certain items of plant and equipment. This loan is repayable via monthly instalments over 5 years from January 2016.

The redemption amount of the deep discount bonds is £3,390,000, redeemable on 15 August 2021. Accrued discount of £240,000 (2018: £239,000) has been charged to the statement of comprehensive income during the year.

On 31 May 2019, Gusbourne entered into an agreement with Lord Ashcroft KCMG PC, a substantial shareholder in Gusbourne, to receive an unsecured loan facility of up to £2,000,000, repayable on 31 October 2019. Under the terms of the Loan Agreement, should the loan not be repaid on 31 October 2019, the loan will become repayable on demand subject to such repayment not being in breach of the Company's existing banking facilities or if such repayment caused the Company to be unable to meet its creditors as they fall due. The loan has not been repaid and incurs interest of 15% per annum. The lender can use its sole discretion to exercise any warrants held in Gusbourne, to the amount to be subscribed pursuant to such exercise will be deemed to be satisfied to the extent of the amount outstanding in respect of the Loan and amount of accrued but unpaid interest at the time of exercise.

On 23 December 2019 a subsidiary of Gusbourne PLC, Gusbourne Estate Limited entered into an agreement with Franove Holdings Limited, a company wholly owned by a Non-Executive Director of Gusbourne Plc to receive an unsecured short term loan facility of £1,250,000. The loan is repayable on 10 December 2020 and carries interest at an annual rate of 15% per annum.

Notes forming part of the financial statements continued

17 Loans and borrowings (continued)

An analysis of the maturity of loans and borrowings is given below:

| | December 2019 £'000 | December 2018 £'000 |
|------------------------------|---------------------------|---------------------------|
| Bank and other loans: | | |
| Within 1 year | 3,379 | 34 |
| 1-2 years | 2,025 | 34 |
| 2-5 years | - | 2,025 |
| Deep Discount Bonds: | | |
| Within 1 year | - | - |
| 1-2 years | 3,001 | - |
| 2-5 years | - | 2,761 |

18 Lease liability

The Group has reviewed its leases and decided to account for IFRS 16 on the modified retrospective approach using a single discount rate for leases with similar characteristics. The Group is using the methodology to set the right of use asset equal to the lease liability on adoption of IFRS 16.

During the period the Group accounted for 6 leases under IFRS 16. The lease contracts provide for payments to increase each year by inflation or at a fixed rate and on others to be reset periodically to market rental rates. The leases also have provisions for early termination. The weighted average Incremental Borrowing Rate used to calculate the lease liability was 4.25%.

| | Land £'000 | Plant, machinery and motor vehicles £'000 | Total £'000 |
|--|---------------|---|----------------|
| Net carrying value - 1 January 2019 | 0 | 80 | 80 |
| On adoption | 1,488 | - | 1,488 |
| Additions | 626 | - | 626 |
| Interest | 87 | 11 | 98 |
| Payments | (78) | (58) | (136) |
| Net carrying value - 31 December 2019 | 2,123 | 33 | 2,156 |

The undiscounted lease payments payable under the leases as at 1 January 2019 were £2,944,000. The difference of £1,456,000 between this and the IFRS 16 lease liability recognised on 1 January 2019 of £1,488,000 relates to the effect of discounting using the incremental borrowing rate.

18 Lease liability (continued)

In applying the modified retrospective approach, The Group has taken advantage of the following practical expedients:

- A single discount rate has been applied to portfolios of leases with reasonably similar characteristics;
- Initial direct costs have not been included in the measurement of the right-of-use asset as at the date of initial application.
- For the purposes of measuring the right-of-use asset hindsight has been used. Therefore, it has been measured based on prevailing estimates at the date of initial application and not retrospectively by making estimates and judgements (such as the term of leases) based on circumstances on or after the lease commencement date.

| | December 2019 £'000 | December 2018 £'000 |
|---|---------------------------|---------------------------|
| The lease payments under long term leases liabilities fall due as follows: | | |
| Current lease liabilities | 123 | - |
| Non current lease liabilities | 2,033 | - |
| Total liabilities | 2,156 | - |

During the period an interest charge of £87,000 arose on the lease liability in respect of land leases. This interest cost has been added to growing crop costs on the basis that the lease liability solely relates to the production of grapes.

The Groups leases include break clauses. On a case-by-case basis, The Group will consider whether the absence of a break clause exposes the Group to excessive risk. Typically factors considered in deciding to negotiate a break clause include:

- The length of the lease term;
- The economic stability of the environment in which the property is located; and
- Whether the location represents a new area of operations for the Group.

At both 31 December 2019 and 2018 the carrying amounts of lease liabilities are not reduced by the amount of payments that would be avoided from exercising break clauses because on both dates it was considered reasonably certain that the Group would not exercise its right to exercise any right to break the lease.

Notes forming part of the financial statements continued

19 Note supporting statement of cash flows

Cash and cash equivalents for purposes of the statement of cash flows comprises:

| | December 2019 £'000 | December 2018 £'000 |
|------------------------|---------------------------|---------------------------|
| Cash at bank available | 1,009 | 1,307 |
| Cash on hand | - | 4 |
| | 1,009 | 1,311 |

Changes in financing activities are shown in the reconciliation of liabilities from financing transactions below:

| | Current loans and borrowings £'000 (Note 17) | Non-current loans and borrowings £'000 (Note 17) | Current lease liabilities £'000 (Note 18) | Non-current lease liabilities £'000 (Note 18) |
|---|--|--|---|---|
| At 1 January 2018 | 2,059 | 2,590 | 49 | 80 |
| Cash flows | (40) | (92) | (55) | - |
| Non cash flows | | | | |
| - Loans and borrowings classified as current at 31 December 2017 becoming non-current during 2018 | (1,991) | 1,991 | 47 | (47) |
| - Interest accruing in period | 6 | 331 | 6 | - |
| At 31 December 2018 | 34 | 4,820 | 47 | 33 |

19 Note supporting statement of cash flows (continued)

| | Current loans and borrowings £'000 (Note 17) | Non-current loans and borrowings £'000 (Note 17) | Current lease liabilities £'000 (Note 18) | Non-current lease liabilities £'000 (Note 18) |
|---|--|--|---|---|
| At 1 January 2019 | 34 | 4,820 | 47 | 33 |
| Cash flows | 3,201 | (90) | (125) | - |
| Non cash flows | | | | |
| - Interest accruing in period | 110 | 330 | 87 | - |
| - Loans and borrowings classified as non-current at 31 December 2018 becoming current during 2019 | 34 | (34) | 114 | (114) |
| - Adoption of IFRS 16 | - | - | - | 1488 |
| - New lease in year recognised under IFRS 16 | - | - | - | 626 |
| At 31 December 2019 | 3,379 | 5,026 | 123 | 2,033 |

20 Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

| | December 2019 £'000 | December 2018 £'000 |
|--------------------------------|------------------------|------------------------|
| Operating leases which expire: | | |
| Within one year | - | 64 |
| Within two to five years | - | 259 |
| More than five years | - | 2,621 |
| | - | 2,944 |

Following the adoption of IFRS 16, the company no longer recognises operating leases. A right of use asset (note 12) and a lease liability (note 18) have been recognised in the statement of financial position.

There is no difference between the operating lease commitments disclosed under IAS 17 at the of the reporting period, immediately preceding the date of initial application of IFRS 16, discounted at the incremental borrowing rate and the lease liability recognised in the statement of financial position as the date of initial application.

Notes forming part of the financial statements continued

21 Share capital

| | Deferred shares of 49p each Number | Ordinary shares of 1p each Number | £'000 |
|---------------------------------|---|--|---------------|
| Issued and fully paid | | | |
| At 1 January 2018 | 23,639,762 | 39,366,984 | 11,977 |
| Issued for cash during the year | - | 6,304,699 | 63 |
| At 31 December 2018 | 23,639,762 | 45,671,683 | 12,040 |
| <hr/> | | | |
| Issued for cash during the year | - | 806,936 | 8 |
| At 31 December 2019 | 23,639,762 | 46,478,619 | 12,048 |

The Deferred shares of 49 pence each have no rights attached to them.

On 17 September 2019 the Company issued 44,459 new ordinary shares of 1p each pursuant to an exercise of Warrants. All Warrants were exercised at 60p per share.

On 27 September 2019 the Company issued 175,776 new ordinary shares of 1p each pursuant to an exercise of Warrants. All Warrants were exercised at 60p per share.

On 7 October 2019 the Company issued 195,001 new ordinary shares of 1p each pursuant to an exercise of Warrants. All Warrants were exercised at 60p per share.

On 22 October 2019 the Company issued 178,367 new ordinary shares of 1p each pursuant to an exercise of Warrants. All Warrants were exercised at 60p per share.

On 29 October 2019 the Company issued 213,333 new ordinary shares of 1p each pursuant to an exercise of Warrants. All Warrants were exercised at 60p per share.

Gusbourne PLC has Warrants to subscribe for 2,036,517 Ordinary shares of 1 pence each in issue. These Warrants are exercisable at any time by the Warrant Holder, with an exercise price of 75 pence per share until 31 July 2021.

Unexercised Warrants as at 31 December 2019 amount to 2,036,517 Ordinary Shares of 1 pence each.

22 Reserves

The following describes the nature and purpose of each reserve within equity:

| Reserve | Description and purpose |
|-------------------|--|
| Share premium | The share premium account arose on the issue of shares by the Company at a premium to their nominal value. Expenses of share issues are charged to this account. |
| Merger reserve | The merger reserve arose on the business combination and is the difference between the nominal value of the shares issued and the market value of the shares acquired. |
| Retained earnings | The retained earnings represent cumulative net gains and losses recognised in the Group's statement of consolidated income. |

23 Related party transactions

Deacon Street Partners Limited is considered a related party by virtue of the fact that Lord Ashcroft KCMG PC, the Company's ultimate controlling party, is also the ultimate controlling party of Deacon Street Partners Limited. During the year Deacon Street Partners Limited charged the Company in total £84,000 (December 2018 - £78,107). Of this £84,000 relates to management services (December 2018 - £78,107). There was £84,000 due to Deacon Street Partners Limited as at 31 December 2019 (December 2018 - £18,000).

Devonshire Club Limited is considered a related party by virtue of the fact that Lord Ashcroft KCMG PC, the Company's ultimate controlling party, is indirectly a shareholder of the parent company of Devonshire Club Limited. During the year the Company sold wine to Devonshire Club Limited amounting to £4,537 (December 2018 - £10,131). A balance due from Devonshire Club Limited of £nil (2018: £2,219) is shown within trade receivables.

On 18 June 2018, the company lent £50,000 to a director as an interest free loan, repayable by instalments from July 2019. The loan will be repaid in full by May 2024. The balance due from the director as at 31 December 2019 was £47,500 (December 2018 - £50,000).

On 2 September 2016, the Company issued deep discount bonds with a subscription price of £4,073,034 together with 2,036,517 separable warrants to subscribe for Ordinary shares at an exercise price of 75 pence per share. On 30 June 2017 the Company offered Bondholders the opportunity to convert their bonds into new Ordinary shares at an Issue price of 40p. The company announced, on 1 August 2017, that it received final acceptances of 5,136,662 Conversion Offer Shares, raising £2,055,000 and resulting in a reduction of the final redemption amount of the deep discount bonds to £3,390,000.

Notes forming part of the financial statements continued

23 Related party transactions (continued)

Details of related parties who subscribed for the deep discount bonds and warrants are shown in the table below:

Deep discount bonds

| Name | Balance as at 31 December 2017 | Accrued discount to 31 December 2018 | Balance as at 31 December 2018 | Accrued discount to 31 December 2019 | Balance as at 31 December 2019 |
|-----------------------|--------------------------------|--------------------------------------|--------------------------------|--------------------------------------|--------------------------------|
| Lord Ashcroft KCMG PC | 1,263,282 | 120,024 | 1,383,306 | 120,037 | 1,503,343 |
| A Weeber | 686,692 | 65,243 | 751,935 | 65,249 | 817,184 |
| | 1,949,974 | 185,267 | 2,135,241 | 185,286 | 2,320,527 |

Warrants exercisable at 75 pence each

| Name | Held as at 31 December 2019 Number | Held as at 31 December 2018 Number |
|-----------------------|---------------------------------------|---------------------------------------|
| Lord Ashcroft KCMG PC | 1,311,517 | 1,311,517 |
| A Weeber | 300,000 | 300,000 |
| I Robinson | 50,000 | 50,000 |
| Lord Arbuthnot PC | 5,000 | 5,000 |
| M Paul | 5,000 | 5,000 |
| M Clapp | 5,000 | 5,000 |
| | 1,676,517 | 1,676,517 |

On 5 September 2018, the Company issued, for cash, 6,221,699 new ordinary shares of 1 pence each with 6,221,699 separable warrants to subscribe for 1 pence Ordinary shares at an exercise price of 60 pence each. The warrants lapsed on 25 October 2019.

23 Related party transactions (continued)

Details of related parties who subscribed for warrants are shown in the table below:

Warrants exercisable at 60 pence each

| Name | Held as at 31 December 2018 Number | Warrants exercised Number | Warrants lapsed Number | Held as at 31 December 2019 Number |
|-----------------------|---|---------------------------------|------------------------------|---|
| Lord Ashcroft KCMG PC | 4,504,510 | - | (4,504,510) | - |
| I Robinson | 41,667 | (41,667) | - | - |
| M Paul | 83,334 | (20,000) | (63,334) | - |
| M Clapp | 16,667 | - | (16,667) | - |
| P Bentham | 83,334 | (83,334) | - | - |
| | 4,729,512 | (145,001) | (4,584,511) | - |

24 Subsequent events

FINANCING

On 1 June 2020, Gusbourne announced that its subsidiary Gusbourne Estate Limited has entered into an agreement with PNC Business Credit, a trading style of PNC Financial Services UK Ltd, for up to £10.5m of asset-based lending facilities. (the "PNC Facilities"). The PNC Facilities will primarily be used to provide working capital for the Group. It will also be used to refinance certain existing loan facilities.

The PNC Facilities will be provided on a revolving basis over a minimum period of 5 years and allow flexible drawdown and repayments in line with the Company's working capital requirements. The interest rate will be at the annual rate of 3 per cent over the Bank of England Base Rate. The facilities will be secured by way of first priority charges over the Company's inventory, receivables and freehold property as well as an all assets debenture.

On completion approximately £4.6m of the PNC Facilities was drawn down by Gusbourne Estate Limited with approximately £2.1m being used to repay the existing secured Barclays bank facilities in full, £1.3m used to part the existing short term loans to Franove Holdings Limited and a company controlled by Lord Ashcroft KCMG PC. The balance of £1.2m will be used for working capital. Further drawdowns will be made from time to time in line with the needs of the business.

Of the £1.3m drawdown at completion to part repay existing short-term loans, £0.8m was used to part repay a short-term loan of £1.25m received on 23 December 2019 from Franove Holdings Limited. £0.5m was used to part repay a short-term loan of £2.0m received on 31 May 2019 from a company controlled by Lord Ashcroft.

Following these repayments Franove Holdings Limited has agreed to extend

Notes forming part of the financial statements continued

24 Subsequent events (continued)

the repayment date of its outstanding loan of £0.5m to 15 August 2021, at the same 15% rate of interest, with the loan becoming secured behind PNC at the same ranking as the existing outstanding deep discount bonds issued by the Company. Gusbourne Estate Limited has also agreed with Franove that in the event it seeks to repay its loans (excluding its PNC facilities) further, the repayment of the Franove Holdings Limited loan will take priority.

The remaining Lord Ashcroft loan of £1.7m has been refinanced, by a company controlled by him, with a new deep discount bond maturing on 15 August 2021 and with a coupon of 15% per annum rolled quarterly and secured behind PNC at the same ranking as the existing outstanding bonds issued by the Company.

COVID-19

In line with the FRC's guidance that COVID-19 should be treated as a non-adjusting post balance sheet event given our year-end and the development of the pandemic after that date, we have performed a re-assessment (but not adjustment) of the carrying value of the reported assets and liabilities.

Intangibles

The Group has goodwill and brand assets which if downside scenarios were applied may result in impairments. Although there is short term uncertainty of future trading as a result of COVID-19, if such a downturn is temporary the future cash flow models would not include the major impacted year of 2020 and as a result at this stage the Directors do not consider it appropriate to model any impairment until there is a clearer picture of longer-term trading. The directors remain confident about the Group's long term prospects beyond COVID-19.

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs, including operating lease rentals, incurred in bringing the inventories to their present location and condition. Grapes grown in the Group's vineyards are included in inventory at fair value less costs to sell at the point of harvest which is the deemed cost for the grapes. There is no indication that the net realisable value of the Group's inventories has reduced as a result of COVID-19 and the Directors do not consider that there is any impairment of the Group's inventories.

**24 Subsequent events
(continued)**

Right of use asset

Right of use assets relate to land and property leases on which some of the Groups vineyards are planted. The Group expects to continue to use these leases and do not consider these to be impaired.

Trade receivables

The Group supply's a wide range of customers including restaurants, bars, hotels and other hospitality providers, at the date of these financial statements there had been no specific issues identified in the recoverability of the amounts due from the Group's customers as at 31 December 2019. There is however an increased risk associated with the trading of our customers and their ability to meet their obligations following the impact of COVID-19 on their business. The Group's credit loss provision as at 31 December 2019 was £13,000 representing 4% of outstanding trade receivables. For illustration, if the Group's estimated credit loss provision were to increase to 20% of outstanding trade receivables, the credit loss provision would be £65,000

Parent company financial statements

Company balance sheet

at 31 December 2019

| | Note | December 2019 £'000 | December 2018 £'000 |
|---|------|---------------------------|---------------------------|
| Assets | | | |
| Non-current assets | | | |
| Investments | 4 | 21,600 | 21,200 |
| Trade and other receivables | 5 | 3,027 | 47 |
| Current assets | | | |
| Trade and other receivables | 5 | 27 | 18 |
| Cash and cash equivalents | | 20 | 1,113 |
| Total assets | | 24,674 | 22,378 |
| Current liabilities | | | |
| Trade and other payables | 6 | (229) | (164) |
| Loans and borrowings | 7 | (2,105) | - |
| Non-current liabilities | | | |
| Loans and borrowings | 7 | (3,001) | (2,761) |
| Total liabilities | | (5,335) | (2,925) |
| Net assets | | 19,339 | 19,453 |
| Issued capital and reserves attributable to owners | | | |
| Share capital | 8 | 12,048 | 12,040 |
| Share premium | 9 | 10,915 | 10,438 |
| Retained earnings | 9 | (3,624) | (3,025) |
| Total equity | | 19,339 | 19,453 |

In accordance with Section 408 of the Companies Act 2006, the Company has not presented its own income statement in these financial statements. The Company results for the year include a loss after tax and before dividends payable of £599,000 (2018: £456,000) which is dealt with in the consolidated financial statements of the Group.

The financial statements were approved and authorised for issue by the Board on 24 June 2020 and were signed on its behalf by Ian Robinson.

Ian Robinson

Secretary and Non-Executive Director

The notes on pages 74 to 77 form part of these financial statements.

Statement of cash flows

for the year ended 31 December 2019

| | Note | 31 December 2019 £'000 | 31 December 2018 £'000 |
|---|------|------------------------------|------------------------------|
| Cash flows from operating activities | | | |
| Loss for the year before tax | | (599) | (456) |
| Adjustments for: | | | |
| Finance expense | | 345 | 239 |
| Increase in trade and other payables | 6 | 88 | 3 |
| Increase in trade and other receivables | | (2) | (57) |
| Cash outflow from operations | | (168) | (271) |
| Investing activities | | | |
| Increase in Intercompany loan | 5 | (3,010) | (3,727) |
| Increase in investments | | (400) | - |
| Net cash from investing activities | | (3,410) | (3,727) |
| Financing activities | | | |
| Issue of ordinary shares | | 485 | 2,783 |
| Share issue expenses | | - | (36) |
| New loans issued | | 2,000 | - |
| Short term loan | | - | 1,000 |
| Net cash from financing activities | | 2,485 | 3,747 |
| Net (decrease) in cash and cash equivalents | | (1,093) | (251) |
| Cash and cash equivalents at the beginning of the year | | 1,113 | 1,364 |
| Cash and cash equivalents at the end of the year | | 20 | 1,113 |

The notes on pages 74 to 77 form part of these financial statements.

Statement of changes in equity

for the year ended 31 December 2019

| | Share capital £'000 | Share premium £'000 | Retained earnings £'000 | Total attributable to equity holders £'000 |
|---|------------------------|------------------------|----------------------------|---|
| 1 January 2018 | 11,977 | 6,754 | (2,569) | 16,162 |
| Comprehensive loss for the year | - | - | (456) | (456) |
| Contributions by and distributions to owners: | | | | |
| Share issue | 63 | 3,720 | - | 3,783 |
| Share issue expenses | - | (36) | - | (36) |
| 31 December 2018 | 12,040 | 10,438 | (3,025) | 19,453 |
| 1 January 2019 | 12,040 | 10,438 | (3,025) | 19,453 |
| Comprehensive loss for the year | - | - | (599) | (599) |
| Contributions by and distributions to owners: | | | | |
| Share issue | 8 | 477 | - | 485 |
| 31 December 2019 | 12,048 | 10,915 | (3,624) | 19,339 |

The notes on pages 74 to 77 form part of these financial statements.

Notes forming part of the company financial statements

for the year 31 December 2019

1 Accounting policies

Gusbourne Plc (“the Company”) is a company limited by shares and registered in England and Wales with the registered number 08225727. The Company’s registered office is Gusbourne, Kenardington Road, Appledore, Ashford, Kent, TN26 2BE.

The following principal accounting policies have been applied:

Basis of preparation

The parent company financial statements are prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union. The Company’s accounting policies are aligned with the Group’s accounting policies as described in note 1 of the Group’s consolidated financial statements. Additional accounting policies are noted below.

Investment in subsidiaries

The company has an investment in two subsidiaries. Investments are valued at cost, less allowances for impairment. Impairment reviews are performed annually.

2 Credit risk

The Company is exposed to credit risk in respect of the loans recoverable from other Group companies amounting to £2,987,000 (2018: £nil) and will only be repaid once the Group companies are profitable.

3 Directors and employees

The average number of staff employed by the Company during the year (comprising solely of Directors) was 8 (2018 - 8).

Details of the emoluments of the Directors can be found in note 7 of the consolidated financial statements.

4 Investments

The following were the subsidiary undertakings at the end of the year:

| Name | Country of incorporation | Proportion of ownership interest at 31 December 2019 |
|--------------------------|--------------------------|--|
| Gusbourne Estate Limited | England and Wales | 100% |
| Gusbourne Wines Limited | England and Wales | 100% |

Gusbourne Estate Limited is involved in the production, sale and distribution of English sparkling wine. Gusbourne Wines Limited is dormant.

The registered address of Gusbourne Estate Limited and Gusbourne Wines Limited is Kenardington Road, Appledore, Kent TN26 2BE.

Notes forming part of the company financial statements continued

5 Trade and other receivables

| | December 2019 £'000 | December 2018 £'000 |
|-------------------------------------|---------------------------|---------------------------|
| Non-current assets | | |
| Trade and other receivables | 40 | 47 |
| Amounts due from group undertakings | 2,987 | - |
| Total non current assets | 3,027 | 47 |
| Current assets | | |
| Trade and other receivables | 12 | 10 |
| Prepayments and accrued income | 15 | 8 |
| Total current assets | 27 | 18 |
| | 3,054 | 65 |

The amount due from group undertakings is repayable on demand, however given the long term development strategy of the Group, it is not expected to be received within 12 months.

Included in trade and receivables is an amount due from a director of £47,000 (2018: £50,000). £7,000 is due within one year and £40,000 is due for repayment by July 2024. Further details are shown in note 11.

6 Trade and other payables

| | December 2019 £'000 | December 2018 £'000 |
|-----------------------------------|---------------------------|---------------------------|
| Current liabilities | | |
| Trade payables | 149 | 59 |
| Accruals and deferred income | 80 | 82 |
| Amounts due to group undertakings | - | 23 |
| | 229 | 164 |

7 Loans and borrowings

| | December 2019 £'000 | December 2018 £'000 |
|--------------------------------|---------------------------|---------------------------|
| Current liabilities | | |
| Other loans | 2,105 | - |
| Non current liabilities | | |
| Deep Discount Bonds | 3,001 | 2,761 |
| | 5,106 | 2,761 |

Details of the loans and borrowing are shown in note 17 in the Group's financial statements.

- 8 Share Capital** Details of the share capital of the Company are included in note 21 to the Group's financial statements.
- 9 Reserves** Details of the nature and purpose of each reserve within equity are shown in note 22 to the Group's financial statements.
- 10 Ultimate controlling party** In the opinion of the Directors the ultimate controlling party at 31 December 2019 is Lord Ashcroft KCMG PC.
- 11 Related party transactions** Deacon Street Partners Limited is considered a related party by virtue of the fact that Lord Ashcroft KCMG PC, the Company's ultimate controlling party, is also the ultimate controlling party of Deacon Street Partners Limited. During the year Deacon Street Partners Limited charged the Company in total £84,000 (December 2018 - £78,107). Of this £84,000 relates to management services (December 2018 - £78,107). There was £84,000 due to Deacon Street Partners Limited as at 31 December 2019 (December 2018 - £18,000).
- On 18 June 2018, the company lent £50,000 to a director as an interest free loan, repayable by instalments from July 2019. The loan will be repaid in full by May 2024. The balance due from the director as at 31 December 2019 was £47,500 (December 2018 - £50,000).
- Details of related parties who subscribed for the deep discount bonds and warrants are included in note 23 to the Group's financial statements.
- 12 Subsequent events** *FINANCING*
- On 1 June 2020, Gusbourne announced that its subsidiary Gusbourne Estate Limited has entered into an agreement with PNC Business Credit, a trading style of PNC Financial Services UK Ltd, for up to £10.5m of asset-based lending facilities. (the "PNC Facilities"). The PNC Facilities will primarily be used to provide working capital for the Group. It will also be used to refinance certain existing loan facilities.
- On completion approximately £4.6m of the PNC Facilities was drawn down by Gusbourne Estate Limited with approximately £2.1m being used to repay the existing secured Barclays bank facilities in full due from Gusbourne Estate Limited, £1.3m used to part repay the existing short term loans to Franove Holdings Limited due from Gusbourne Estate Limited and due from Gusbourne PLC to a company controlled by Lord Ashcroft KCMG PC. The balance of £1.2m will be used for working capital. Further drawdowns will be made from time to time in line with the needs of the business.

Notes forming part of the company financial statements continued

12 Subsequent events (continued)

Of the £1.3m drawdown at completion to part repay existing short-term loans, £0.8m was used to part repay a short-term loan of £1.25m received on 23 December 2019 from Franove Holdings Limited. £0.5m was used to part repay a short-term loan of £2.0m due from Gusbourne PLC and received on 31 May 2019 from a company controlled by Lord Ashcroft.

The remaining Lord Ashcroft loan of £1.7m has been refinanced, by a company controlled by him, with a new deep discount bond maturing on 15 August 2021 and with a coupon of 15% per annum rolled quarterly and secured behind PNC at the same ranking as the existing outstanding bonds issued by the Company.

COVID-19

In line with the FRC's guidance that COVID-19 should be treated as a non-adjusting post balance sheet event given our year-end and the development of the pandemic after that date, we have performed a re-assessment (but not adjustment) of the carrying value of the reported assets and liabilities.

Investments

The Group has investments in its subsidiary Gusbourne Estate Limited which if downside scenarios were applied may result in impairments. Although there is short term uncertainty of future trading as a result of COVID-19, if such a downturn is temporary the future cash flow models would not include the major impacted year of 2020 and as a result at this stage the Directors do not consider it appropriate to model any impairment until there is a clearer picture of longer-term trading. The directors remain confident about the Group's long term prospects beyond COVID-19.

Trade and other receivables

Trade and other receivables primarily represent amounts due from the Company's 100% subsidiary, Gusbourne Estate Limited. Although there is short term uncertainty of future trading as a result of COVID-19, if such a downturn is temporary the future cash flow models would not include the major impacted year of 2020 and as a result at this stage the Directors do not consider it appropriate to model any impairment until there is a clearer picture of longer-term trading. The directors remain confident about the Group's long term prospects beyond Covid-19.

Company information

Country of incorporation of parent company

England and Wales

Legal form

Public limited company

Directors

A C V Weeber (Non-Executive Chairman)
M A K Paul (Non-Executive Deputy Chairman)
C E Holland (Chief Executive Officer)
J D Pollard (Chief Operating Officer)
Lord Arbuthnot PC (Non-Executive Director)
P G Bentham (Non-Executive Director)
M D Clapp (Non-Executive Director)
I G Robinson (Non-Executive Director)

Secretary and registered office

I G Robinson
Gusbourne
Kenardington Road
Appledore
Ashford
Kent
TN26 2BE

Company number

08225727

Auditors

BDO LLP
55 Baker Street
London
W1U 3EU

Nominated adviser and broker

Canaccord Genuity Limited
88 Wood Street
London
EC2V 7QR

Solicitors

Fieldfisher LLP
Free Trade Exchange Level 5
37 Peter Street
Manchester
M2 5GB

Bankers

Barclays Bank PLC
30 Tower View
Kings Hill
Kent
ME19 4WA

Registrars

Link Asset Services
34 Beckenham Road
Beckenham
Kent
BR3 4TU

