Gusbourne Plc

("Gusbourne" or the "Company")

Half Yearly Report

Gusbourne Plc, the English sparkling wine producer, is today pleased to announce its unaudited interim results for the six months ended 30 June 2019.

Highlights

- Net revenue[(1)] up by 67% to £716,000 (30 June 2018: £429,000)
- Gross profit up by 57% to £421,000 (30 June 2018: £268,000)
- Financial performance is in line with management's expectation as continued investment in sales and marketing drives sales growth
- Ongoing success in international wine competitions with a total of 52 medals awarded, including 16 gold medals.

Charlie Holland, Chief Winemaker and Chief Executive Officer commented:

"Our results for the half year show significant revenue growth as the Company continues to benefit from our investment in sales and marketing. Our distribution channels, both domestically and internationally, continue to grow and develop. The Company also continues to benefit from wide ranging recognition within the wine industry with multiple awards, including 6 gold medals at the Wine GB Awards. The Board has established a long term strategy to further grow and develop the business in a manner which remains consistent with the long term aspirations for the Gusbourne brand. We intend to continue to produce and sell a range of vintage wines of exceptional quality from grapes grown in our own vineyards.

We achieved record yields from the 2018 harvest and this has allowed us to significantly increase our wine stocks for future sales. The growing season in 2019 has started slightly later than last year, due to a cold start to the year, but warm spring weather has led to strong even growth and high potential yield.

Current trading is in line with expectations and the Company continues to make steady progress in line with its long term strategic plans."

[(1)] Net revenue is revenue reported by the Company after excise duties payable

For further information contact:

Gusbourne Plc

Charlie Holland	+44 (0)1233 758 666

Canaccord Genuity Limited

Bobbie Hilliam Georgina McCooke	+44 (0)20 7523 8000

Note: This announcement and other press releases are available to view at the Company's website: www.gusbourneplc.com

Note to Editors

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 mature vineyards are located at its freehold estate at Appledore in Kent where the winery is also based. The Group has a total of 231 acres of vineyards which will increase to 288 acres following the planned planting of an additional 57 acres in 2020.

Financials

Results for the six months ended 30 June 2019

The Company is pleased to announce a strong set of results for the six months ended 30 June 2019. Net revenue for the period amounted to £716,000 (30 June 2018: £429,000), an increase of 67 per cent. on the corresponding period last year. The revenue growth in the period reflects increased sales of wine across all of the Group's distribution channels arising from both new customers and increased sales to existing customers. In particular direct to consumer sales have increased 143% compared with the comparative period in 2018. Direct to consumer sales represent 16% of the Group's net revenue for the period to 30 June 2019. Visitors to the Group's cellar door operation, the Nest, have increased 73% compared with the period to 30 June 2018.

Administrative expenses of £1,377,000 (30 June 2018: £1,028,000) includes depreciation of £347,000 (30 June 2018: £307,000) reflecting the capital spend and the depreciation of additional mature vineyards. Excluding depreciation, administrative expenses amounted to £1,030,000 (30 June 2018: £721,000), an increase of £309,000 reflecting additional staff and other costs required to support the ongoing development and growth of the business. These additional staff include investment in support for the sales and marketing to support future sales growth and also maintain and develop the premium positioning of the Gusbourne brand.

An EBITDA loss of £620,000 (30 June 2018: £427,000), reflects a planned increase in sales and marketing expenses to support further sales growth in the future, as increasing stocks and production volumes become available for sale.

The operating loss for the period was £967,000 (30 June 2018: £734,000), and the loss before tax was £1,137,000 (30 June 2018: £906,000) after finance expenses of £170,000 (30 June 2018: £172,000).

These planned losses continue to be in line with management's expectations at this stage of the Group's production and sales maturity and in line with the long-term development plan for the Group.

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.

In addition, the Group invested in additional plant and equipment for the vineyards and the winery during the period amounting to £197,000 (30 June 2018: £415,000).

Total assets at 30 June 2019 of £21,523,000 (30 June 2018: £17,678,000) include freehold land and buildings of £6,433,000 (30 June 2018: £6,518,000), vineyards of £3,222,000 (30 June 2018: £3,251,000), right of use assets in respect of long term leases of £1,471,000 (30 June 2018: £nil) inventories of wine stocks amounting to £5,752,000 (30 June 2018: £3,781,000), and £481,000 of cash (30 June 2018: £462,000). Intangible assets of £1,007,000 (30 June 2018: £1,007,000) arose on the acquisition of the Gusbourne Estate business on 27 September 2013.

The Group's net tangible assets at 30 June 2019 amounted to £12,166,000 (30 June 2018: £10,417,000) and represent 92% of total equity (30 June 2018: 91%). Net tangible assets per share at 30 June 2019 were 26.6 pence per share (30 June 2018: 26.5 pence per share).

An important aspect of the Group's balance sheet is the increasing investment in the various assets of the business. The Group's inventories 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, 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 shareholders' equity, loans and other borrowings. Bank loans and other borrowings at 30 June 2019 amounted in total to £5,767,000 (30 June 2018: £5,860,000) and represent 44% of total equity (30 June 2018: 51%).

The achievement of the Group's long-term development strategy is expected to require 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 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

Awards

Awards received during the period and post period end 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
- Trophy for "Best English Sparkling Wine' at the International Wine Challenge China
- 3 gold medals at the Champagne and Sparkling Wine World Championships
- 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
- Gold medal at the Global Rosé Masters competition

Current trading and outlook

Record yields from the 2018 harvest have allowed us to significantly increase our wine stocks for future sales.

The growing season in 2019 has started slightly later than last year, due to a cold start to the year, but warm spring weather has led to strong even growth and high potential yield. The vines will remain subject to the normal seasonal climatic and disease risks throughout the remaining part of the growing season.

Current trading is in line with expectations and the Company continues to make steady progress in line with its long term strategic plans.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2019

	Note	Unaudited Six months to 30 June 2019 £'000	Unaudited Six months to 30 June 2018 £'000	Audited Year ended 31 December 2018 £'000
Revenue		**794**	**478**	**1,388**
Excise duties		(78)	(49)	(127)
Net revenue		**716**	**429**	**1,261**
Cost of sales		(295)	(161)	(560)
Gross profit		**421**	**268**	**701**
Fair value movement in biological assets	6	(11)	26	-
Fair movement in biological produce	6	-	-	125
Administrative expenses		(1,377)	(1,028)	(2,246)
Loss from operations		**(967)**	**(734)**	**(1,420)**
Finance expense	3	(170)	(172)	(347)
Loss before tax		**(1,137)**	**(906)**	**(1,767)**
Tax expense		**-**	**-**	**-**
Loss for the period attributable to owners of the parent		**(1,137)**	**(906)**	**(1,767)**
Loss per share attributable to the ordinary equity holders of the parent:				
Basic and diluted		(2.49p)	(2.30p)	(4.62p)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2019

	Notes	Unaudited 30 June 2019	Unaudited 30 June 2018	Audited 31 December 2018
Assets		**£'000**	**£'000**	**£'000**
Non-current assets				
Intangibles	4	**1,007**	**1,007**	1,007
Property, plant and equipment	5	**12,845**	**11,377**	11,534
Other receivables		**-**	**-**	97
		13,852	**12,384**	**12,638**
Current assets				
Biological assets	6	**707**	**625**	**-**
Inventories	7	**5,752**	**3,781**	5,282
Trade and other receivables		**731**	**426**	496
Cash and cash equivalents		**481**	**462**	1,311
		7,671	**5,294**	**7,089**
Total assets		**21,523**	**17,678**	19,727
Liabilities				
Current liabilities				
Trade and other payables		**(1,100)**	**(394)**	(483)
Finance leases		**(43)**	**(47)**	(47)
Lease liabilities	9	**(68)**	**-**	-
Loans and borrowings	8	**(787)**	**(3,064)**	(34)
		(1,998)	**(3,505)**	**(564)**
Non-current liabilities				
Loans and borrowings	8	**(4,923)**	**(2,692)**	(4,820)
Lease liabilities	9	**(1,415)**	**-**	-
Finance leases		**(14)**	**(57)**	(33)
		(6,352)	**(2,749)**	**(4,853)**
Total liabilities		**(8,350)**	**(6,254)**	**(5,417)**
NET ASSETS		**13,173**	**11,424**	**14,310**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
At 30 June 2019

Issued capital and reserves attributable to owners of the parent			
Share capital	**12,040**	**11,977**	12,040
Share premium	**10,438**	**6,754**	10,438
Merger reserve	**(13)**	**(13)**	(13)
Retained earnings	**(9,292)**	**(7,294)**	(8,155)
TOTAL EQUITY	**13,173**	**11,424**	**14,310**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2019

	Unaudited Six months to 30 June 2019 £'000	Unaudited Six months to 30 June 2018 £'000	Audited Year ended 31 December 2018 £'000
Cashflows from operating activities			
Loss for the year/period before tax	**(1,137)**	(906)	(1,767)
Adjustments for:			
Depreciation of property, plant and equipment	**347**	307	638
Finance expense	**170**	172	347
Movement in biological assets	**(695)**	(625)	-
Fair value movement in biological asset	**-**	-	(125)
Decrease / (Increase) in trade and other receivables	**(138)**	(148)	(316)
Increase in inventories	**(470)**	(297)	(1,673)
Increase in trade and other payables	**617**	36	125
Cash outflow from operations	**(1,306)**	(1,461)	(2,771)
Investing activities			
Purchases of property, plant and equipment, excluding vineyard establishment	**(197)**	**(415)**	(801)
Investment in vineyard establishment	**-**	**(39)**	(141)
Sale of property, plant and equipment	**10**		-
Net cash from investing activities	**(187)**	**(454)**	(942)
Financing activities			
Repayment of bank loan	**(17)**	(17)	(34)
Draw down of short term loan*	**750**	1,000	1,000
Repayment of finance leases	**(23)**	(25)	(49)
Interest paid	**(47)**	(45)	(104)
Issue of ordinary shares	**-**	-	2,783
Share issue expenses	**-**	-	(36)
Net cash from financing activities	**663**	913	3,560

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the six months ended 30 June 2019

	Unaudited Six months to 30 June 2019 £'000	Unaudited Six months to 30 June 2018 £'000	Audited Period to 31 December 2018 £'000
Net increase/(decrease) in cash and cash equivalents	**(830)**	(1,002)	(153)
Cash and cash equivalents at beginning of period	**1,311**	1,464	1,464
Cash and cash equivalents at end of period	**481**	462	1,311

***Non- cash transaction**

The short-term loan of £1,000,000 shown in the period ended 30 June 2018 and, in the year, ended 31 December 2018 was used as part settlement of monies due under the share subscription, which completed in September 2018.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2019

Audited:	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total attributable to equity holders of parent £'000
31 December 2017	**11,977**	**6,754**	**(13)**	**(6,388)**	**12,330**
Share issue	-	-	-	-	-
Share issue expenses	-	-	-	-	-
Comprehensive loss for the period	-	-	-	(906)	(906)
30 June 2018	**11,977**	**6,754**	**(13)**	**(7,294)**	**11,424**
Share issue	63	3,720	-	-	3,783
Share issue expenses	-	(36)	-	-	(36)
Comprehensive loss for the period	-	-	-	(861)	(861)
31 December 2018	**12,040**	**10,438**	**(13)**	**(8,155)**	**14,310**
Unaudited:					
Share issue	-	-	-	-	-
Share issue expenses	-	-	-	-	-
Comprehensive loss for the period	-	-	-	(1,137)	(1,137)
30 June 2019	**12,040**	**10,438**	**(13)**	**(9,292)**	**13,173**

NOTES TO THE ACCOUNTS
For the six months ended 30 June 2019

1 Statement of accounting policies

The interim financial statements have been prepared in accordance with the recognition and measurement principles as adopted by the EU, applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 December 2018 and are consistent with the accounting policies expected to apply in its financial statements for the year ended 31 December 2019. The Group has changed its accounting policy as a result of adopting IFRS 16 Leases.

The impact of the adoption of IFRS 16 is shown in note 9 below.

The financial information for the six months ended 30 June 2019 has not been subject to an audit nor a review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Auditing Practices Board. The comparative financial information presented herein for the year ended 31 December 2018 does not constitute full statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Group's annual report and accounts for the year ended 31 December 2018 have been delivered to the Registrar of Companies. The Group's independent auditor's report was unqualified and did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006.

Basis of preparation

The Board of the Company continually assesses and monitors the key risks of the business. These risks have not significantly changed from those set out in the Company's Annual Report for the period ended 31 December 2018. The Board has reviewed forecasts and remains satisfied with the Company's funding and liquidity position. On the basis of its forecast and available facilities and cash balances held on the balance sheet, the Board has concluded that the going concern basis of preparation continues to be appropriate.

2 Loss from operations

Loss from operations has been arrived at after charging:

	Unaudited 30 June 2019 £'000	Unaudited 30 June 2018 £'000	Audited 31 December 2018 £'000
Depreciation of property, plant and equipment	347	307	638
Staff costs expensed to consolidated statement of income	389	256	552

3 Finance expense

	Unaudited 30 June 2019 £'000	Unaudited 30 June 2018 £'000	Audited 31 December 2018 £'000
Finance expense			
Interest payable on borrowings	**47**	50	104
Amortisation of bank transaction costs	**3**	3	4
Deep discount bond charge	**120**	119	239
Total finance expense	**170**	172	347

4 Intangibles

	Unaudited 30 June 2019 £'000	Unaudited 30 June 2018 £'000	Audited 31 December 2018 £'000
Goodwill	**777**	777	777
Brand	**230**	230	230
	1,007	1,007	1,007

5 Property, plant and equipment

	Unaudited 30 June 2019 £'000	Unaudited 30 June 2018 £'000	Audited 31 December 2018 £'000
Freehold land and buildings	**6,433**	6,518	6,488
Plant, machinery and motor vehicles	**1,682**	1,562	1,716
Vineyard establishment	**-**	907	-
Mature vineyards	**3,222**	2,344	3,289
Computer equipment	**37**	46	41
Right of use assets	**1,471**	-	-
	12,845	11,377	11,534

Right of use assets

Right of use assets comprise land leases on which vines have been planted and property leases from which vineyard operations are carried out from. These assets have been created under IFRS 16 - Leases.

	Unaudited 30 June 2019 £'000
Balance at 1 January 2019	**-**
Additions	**1,488**
Depreciation charge in the period	**(17)**
Balance at 30 June 2019	**1,471**

During the period the depreciation charge of £17,000 has been added to crop growing costs on the basis that the right of use assets solely relate to the production of grapes.

6 Biological assets

Biological assets represent grapes growing on the Group's vines. Once the grapes are harvested they are deemed to be Biological produce and transferred to inventories.

	Unaudited 30 June 2019 £'000	Unaudited 30 June 2018 £'000	Audited 31 December 2018 £'000
Crop growing costs	**718**	599	1,191
Fair value of grapes harvested and transferred to inventories	**-**	-	(1,316)
Fair value movement in biological assets	**(11)**	26	-
Fair value movement in biological produce	**-**	-	125
Fair value of biological assets at the reporting date	**707**	625	-

The fair value of biological assets at the reporting date is determined by reference to estimated market prices less costs to sell. The estimated market price for grapes used in respect of 2019 is £2,300 (2018: £2,300) per tonne. The fair value is subject to a discount factor of 50% due to the grapes, as at the reporting date, being approximately 3 months away from being ready for harvest.

A 10% increase in the estimated market price of grapes to £2,530 per tonne would result in an increase of £71,000 in the fair value of biological assets at the reporting date. A 10% decrease in the estimated market price of grapes to £2,070 per tonne would result in a decrease of £71,000 in the fair value of biological assets at the reporting date.

7 Inventories

	Unaudited 30 June 2019 £'000	Unaudited 30 June 2018 £'000	Audited 31 December 2018 £'000
Finished goods	**139**	83	123
Work in progress	**5,613**	3,698	5,159
	5,752	3,781	5,282

8 Loans and borrowings

	Unaudited 30 June 2019 £'000	Unaudited 30 June 2018 £'000	Audited 31 December 2018 £'000
Current liabilities			
Short term loan	**753**	1,006	-
Bank loans	**34**	2,058	34
	787	3,064	34
Non-current liabilities			
Bank loans	**2,042**	51	2,059
Deep Discount Bonds	**2,881**	2,641	2,761
Total loans and borrowings	**4,923**	2,692	4,820

In order to meet immediate working capital requirements, the Company (the Borrower) entered into an agreement on 31 May 2019 with a company controlled by Lord Ashcroft KCMG PC (the Lender) to receive an unsecured loan facility of up to £2,000,000 (the "Loan Agreement") which is repayable on 31 October 2019. The loan facility may be drawn down in amounts of no less than £250,000. The loan carries interest on the principal amount outstanding from time to time at the rate of 7% per annum and at 10% per annum in the event of default. To the extent that the Lender chooses, in its sole discretion to exercise any warrants it holds in the Borrower, the amount to be subscribed pursuant to such exercise ("the Subscription Amount") will be deemed to be satisfied to the extent of the amount outstanding in respect of the Loan and the amount of accrued but unpaid interest at the time of exercise or, if such amount is greater, to the extent of the Subscription Amount. 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 Company has drawn £750,000 of the loan facility as at 30 June 2019 which, together with accrued interest of £3,000, is shown in the table above.

The bank loan of £2,025,000 is at an interest rate of 3% over Barclays Bank plc base rate and is due for repayment in full in November 2021. It is secured by way of a fixed charge over the group's land and buildings at Appledore, Kent and a floating charge over all other property and undertakings.

Other bank loans of £51,000 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 deep discount bond is secured by a fixed charge (behind the bank's security) over the Group's land and buildings at Appledore, Kent. The deep discount bond attracts a coupon rate of 9% per annum which is rolled up annually. The redemption amount of the deep discount bonds is £3,390,000, redeemable on 15 August 2021. Accrued discount of £120,000 has been charged to the statement of comprehensive income during the period.

9 Changes in accounting policies

Adoption of IFRS 16

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.

These liabilities were measured at the present value of the remaining lease payments, discounted based on the lessee's incremental borrowing rate applied to lease liabilities as of 1 January 2019. The discount rate applied was 4.25%.
At 30 June 2019 the lease liabilities were as follows:

	Unaudited 30 June 2019 £'000
Current lease liabilities	**68**
Non-current lease liabilities	**1,415**
Total lease liabilities	**1,483**

During the period an interest charge of £30,000 arose on the lease liability. This interest cost has been added to crop growing costs on the basis that the lease liability solely relates to the production of grapes.