Gusbourne PLC
Report and financial statements
for the period ended 31 December 2013

Early growth in April 2014 in one of Gusbourne Estate's vineyards in Kent. Our wines are produced exclusively from our own estate grown grapes.

Contents

Chairman's statement

"These guiding principles of quality and excellence remain uncompromised as we embark upon a new phase of development for Gusbourne Estate"

I am delighted to report an exciting and solid period of progress for the Group. The Gusbourne Estate business, based in Kent, was acquired by the Group through an acquisition which completed on 27 September 2013. The Group's existing business, comprising vineyards in West Sussex, have merged into the enlarged Gusbourne Estate business. The results for the acquired Gusbourne Estate business are reflected in the results for the period from 27 September 2013; accordingly sales only represent three months of activity.

The Gusbourne Estate business was started by me 10 years ago. I selected and acquired land which was ideally suited for growing vines at Appledore in Kent. My previous occupation was a consultant orthopaedic surgeon in both the UK and South Africa. However, I always maintained an active interest in wine making and held a major stake in a large South African wine estate.

From the beginning at Gusbourne Estate I have been committed to producing sparkling wine of the highest possible quality. This starts with the meticulous selection of vineyard sites and vines (in our case Burgundy clones for added complexity in the wine). It extends to every part of the production process. We produce our wines exclusively from grapes grown in our own vineyards. Most of our sparkling wines receive a minimum of three years lees ageing with the exception of the Rosé which receives a minimum of two years.

These guiding principles of quality and excellence remain uncompromised as we embark upon a new phase of development for Gusbourne Estate. I am pleased to report that we have assembled an experienced and professionally trained management team to continue these traditions and who bring a wealth of local and international experience.

At board level we are deeply saddened to report the loss of our non-executive director Andrew Wilson. His brilliant mind, incisive decision making, modesty and humour will be sadly missed.

Highlights of 2013

These include:

- The planting of an additional 44.3 acres of vineyards, in May 2013. The new vineyards are located on long leasehold land within the picturesque South Downs National Park in West Sussex. This is one of the other main vine growing areas of England and will provide a further regional dimension to our Gusbourne Estate sparkling wines. We are convinced that our Sussex sites will complement our Kent production and provide us with the opportunity to produce complex and multifaceted wines, as well as mitigating regional climatic risk. We look forward to making sparkling wine from these grapes in a few years' time.

- A very successful 2013 harvest. A late start to the growing season resulted in a later than usual harvest. The quality was excellent and the yield volumes were more than double our original expectations. The resulting wine has added considerably to our wine stocks for sale in future years and will help to satisfy the growing demand for our wines in the United Kingdom and abroad.
- Awards: Gusbourne Estate won the trophy for "English Wine Producer of the Year" from the, International Wine and Spirit Competition (IWSC) in November 2013. Gusbourne Estate's Brut Reserve 2008 also won the IWSC international trophy for "Best Bottle Fermented Sparkling Wine". It is worth noting that this later trophy was based on competition from numerous sparkling wines from around the world. We were also delighted to win a gold medal in the IWC (International Wine Challenge) for our Blanc de Blancs 2008, and a gold medal (and trophy) for our 2011 Guinevere barrel fermented Chardonnay, a still Burgundy style wine. These were proud moments for us and a rewarding conclusion to a successful year.

Above: View over one of Gusbourne Estate's vineyards in Kent in late summer 2013

Below: Wine barrels and stainless steel tanks at the Gusbourne winery. A combination of the latest modern technology and traditional methods are utilised in the winemaking process

Chairman's statement continued

Long term nature of the business and its funding

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 an exquisite sparkling wine. As pretenders to the champagne crown our products have to be at least as good and, with exacting standards and favourable climatic conditions, perhaps even better.

This is a generational business and further equity issues are planned to support additional investment in vineyards, winery capacity, stocks of wine and, most importantly, brand development. We appreciate the support our shareholders provide to us and we are proud of our AIM quote which is unique in the English sparkling wine industry.

Current trading

Currently we are trading in line with expectations and limited stock availability. Our stocks are being targeted at premium outlets both in the on and off trade to support our ongoing brand development.

In May 2014 an additional 50 acres of vineyards were planted on our estate in Kent in line with our long term development strategy.

We are pleased to report that our wines have continued to win awards in 2014. In May we were delighted to win an International Wine Challenge gold medal for our Gusbourne Brut Reserve 2009.

Finally, I would like to thank all our staff at Gusbourne Estate. Their ongoing dedication and hard work has made 2013 a year of progress and solid achievement for the Company. We remain passionate about our wines and firmly on track towards achieving our long term goals.

Andrew Weeber
Chairman

Gusbourne Estate won the trophy for "English Wine Producer of the Year" from the International Wine and Spirit Competition (IWSC) in November 2013.

Labelling our products. Attention to detail and a commitment to quality in all areas of production and processes.

Bottles of sparkling wine at our cellars in Kent. Extended periods of ageing are an essential part of our winemaking process.

Strategic report

Activities and recent developments

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 and still 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. Additional vineyards were planted in West Sussex in May 2013 and further plantings are planned in the next two years in both Kent and West Sussex.

On 25 October 2012 the Company (previously Shellproof PLC) was re-admitted to the AIM market of the London Stock Exchange for the purposes of establishing an English sparkling wine business and completing the acquisition of a 7.7 acre freehold mature vineyard at Halnaker in West Sussex.

In December 2012 the Group executed two 50 year farm business tenancies on two sites in West Sussex comprising 66 acres on which the Group has established 44.3 acres of new vineyards with vine plantings completed in early May 2013.

On 27 September 2013 the Company was re-admitted to the AIM market, and changed its name to Gusbourne PLC, following the acquisition of the Gusbourne Estate business in Kent together with 352 acres of freehold land and buildings. The Gusbourne Estate business comprised the award winning sparkling wine business, related wine stocks and plant and equipment together with 50.8 acres of mature vineyards and buildings situated on the 352 acre estate. The Gusbourne Estate business had been owned and managed by Andrew Weeber since 2004 when the first vineyards were planted. The first wines were sold in 2010.

Gusbourne Estate Wines

The Group is dedicated to the production of premium sparkling wines, and in suitable years, vintage driven still wines, exclusively from its own vineyards. Its processes, both in establishing and maintaining the vineyards and in making wine, continue to follow the principles laid down by Andrew Weeber when he established Gusbourne Estate 10 years ago in 2004, including his fastidious and scientific attention to detail. An important aspect of the Group's production of traditional method sparkling wines is the extended lees ageing with a minimum of three years for most of the Group's sparkling wines, with the exception of Rosé which receives a minimum of two years. Cork ageing adds a further minimum of 6 months. Both these aspects help to ensure the quality of Gusbourne Estate's sparkling wines. This means that its main sparkling wine products take at least four years to become available for sale from the time the grapes are harvested.

Recent awards

The Gusbourne Estate wines are at the luxury end of the sparkling wine market and are regarded as some of the best English wines available. They have won numerous awards. In November 2013 Gusbourne Estate won the trophy for "English Wine Producer of the Year" from the International Wine and Spirit Competition ("IWSC"). At the same time Gusbourne Estate also won the IWSC international trophy for "Best Bottle Fermented Sparkling Wine" in respect of the Gusbourne Brut Reserve 2008. In May 2014 Gusbourne Estate won an International Wine Challenge gold medal for the Gusbourne Brut Reserve 2009.

Development strategy

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

- The establishment of further vineyards in Kent and West Sussex;
- The expansion of the winery and storage facilities to process and

store the increasing production volumes as vineyards reach maturity;

- The further development of the Gusbourne Estate brand; and
- The development of exports as a significant contributor to sales.

2013 harvest

The 2013 harvest was later than usual due to a late start to the growing season. However the quality was excellent and yield volumes were more than double the Group's original expectations, following a successful flowering and good weather during the growing season. The resulting wine production has considerably added to the Group's wine stocks for sale in future years.

As in prior years, the grape picking at Gusbourne Estate's vineyards in Kent involved the local community and the Group remains grateful to the regular contingent of 40 local residents who helped to gather in the harvest.

Results for the period

The results for the 9 month period ended 31 December 2013 include the results of the Gusbourne Estate business from 27 September 2013. Sales for the period, which comprise solely those of Gusbourne Estate wines from 27 September 2013, amounted to £129,000 and these are the first sales by the Group itself. Whilst these sales reflect the sale of limited stock availability at this time, they were however approximately 105 per cent higher than those made by the Gusbourne Estate business for the same period in 2012 under its previous ownership and reflect a steady like for like growth in the sale of Gusbourne wines. Administrative expenses of £832,000 for the 9 month period ended 31 December 2013 compare with £611,000 for the year ended 31 March 2013 and reflect the growth in the business following the acquisition of the Gusbourne Estate business, additional staff and transaction expenses. Transaction expenses for the period amounted to £398,000 in respect of transactions reflected in the AIM re admission on 27 September 2013 and compare with transaction expenses of £259,000 for the year ended 31 March 2013 in respect of transactions reflected in the AIM re admission on 25 October 2012.

The operating loss for the period was £636,000 (£610,000 for the year ended 31 March 2013).The loss before tax was £666,000 (£454,000 for the year ended 31 March 2013) after net finance costs of £30,000 (net finance income of £156,000 for the year ended 31 March 2013). These planned losses reflect the long term development strategy of the business.

Left to right: Charlie Holland (Winemaker), Andrew Weeber (Chairman), Jon Pollard (Vineyard Manager), Ben Walgate (Chief Executive)

Strategic report continued

Balance Sheet

The main change in the Group's balance sheet during the period reflects the acquisition of the Gusbourne Estate business and its related freehold land and buildings on 27 September 2013, details of which are shown in note 11 to the accounts on page 37. The acquisition cost of £7,063,000 (£7,316,000 at fair value) was satisfied by the issue of shares amounting to a cash equivalent of £1,050,000 (£1,303,000 at fair value), the issue of secured convertible bonds of £1,750,000 and cash of £4,263,000.

The other changes in the Group's balance sheet during the period reflect expenditure on the ongoing investment in, and development of, the Group's business, net of income from wine sales. This expenditure includes the establishment of additional vineyards in West Sussex at a cost of £418,000, the purchase of additional plant and equipment for the vineyards and the winery amounting to £538,000 and the planned ongoing development of the business, including transaction costs, which is reflected in the net loss for the period of £726,000.

Total assets at 31 December 2013 of £11,235,000, (£4,061,000 at 31 March 2013) include freehold land and buildings of £4,601,000 (£222,000 at 31 March 2013), inventories of wine stocks amounting to £1,310,000 (£137,000 at 31 March 2013), £1,240,000 of biological assets (£154,000 at 31 March 2013) and £1,703,000 of cash (£3,128,000 at 31 March 2013). Intangible assets of £1,007,000 (£nil at 31 March 2013) arise from the acquisition of the Gusbourne Estate business. Biological assets reflect the fair value of grape vines calculated in accordance with International Accounting Standard 41.

It is worth noting that the Group's inventories are reported at the lower of cost and net realisable value and that these inventories are expected to grow significantly until the Group reaches full production maturity, bearing in mind the long production cycle in relation to sparkling wine and related vineyard establishment. Accordingly, and in common with similar sparkling wine businesses, the anticipated underlying surplus of net realisable value over cost of these wine inventories will become an increasingly significant factor of the Group's asset base.

The Group's net tangible assets at 31 December 2013 amount to £6,124,000 (£3,817,000 at 31 March 2013) and represent 86% of total equity (100% at 31 March 2013).

Financing

The Group's activities are financed by its own cash resources, bank loans and convertible bonds. Bank loans and convertible bonds at 31 December 2013 amount in total to £3,720,000 (£nil at 31 March 2013) and represent 52% of total equity.

On 27 September 2013, the Group obtained a bank loan of £2,025,000 and completed a placing of ordinary shares by the Group for cash proceeds of £2,851,000. The cash proceeds from the bank loan and share placing amounted to a total of £4,876,000, of which £4,263,000 was used to satisfy the cash element of the consideration for the acquisition of the Gusbourne Estate business and its related freehold land and buildings. The remaining cash proceeds were added to the Group's existing cash resources to fund its ongoing activities.

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 Estate's premium sparkling wine. Additional funding will be sought by the Company over the coming few years to invest in additional vineyards, winery capacity, and stocks of wine as well as brand development, in line with its development strategy.

Principal risks and uncertainties

Details of these are shown on page 14.

Key Performance Indicators

	9 months ended 31 December 2013 £'000	Year ended 31 March 2013 £'000
Sales	**129**	**-**
Operating cash outflow		
Transaction expenses	(398)	(259)
Other	(355)	(492)
Total operating cash outflow	**(753)**	**(751)**
Capital expenditure		
Investment in vineyard establishment	418	40
Other capital expenditure	653	257
Total capital expenditure	**1,071**	**297**

	At 31 December 2013 £'000	At 31 March 2013 £'000
Total assets	**11,235**	**4,061**
Net tangible assets	**6,124**	**3,817**
Total equity	**7,131**	**3,817**
Net tangible assets as per cent of total equity	**86%**	**100%**
Gearing	**52%**	**0%**

Principal risk and uncertainties

Financing

The Group plans to raise further equity funds in the future to fund the Group's development strategy over the coming years, through the issue of Gusbourne PLC shares. 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's has also mitigated this risk by planting vines 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 English product.

Mitigation: The Group's strategy remains to produce the highest quality products and develop brands 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.

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 is a key opinion leader in the English wine industry, and is closely involved with the English Wine Producers Association.

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.

Ben Walgate BSc, Director and Chief Executive

Since university, Ben's career has been focussed on the wine industry. After a summer spent working in the vineyards and cellars of Western Europe, Ben returned to England to study Viticulture (grape growing) and Oenology (winemaking) for two years at Plumpton College.

After Plumpton College, Ben ran his own business, involving the importation and sale of rare and unusual wines into the UK. This provided him with direct experience of the wine wholesale and retail market in the UK. Following the disposal of this business Ben took

Board of Directors continued

over the management of one of the UK's oldest vineyards, replanting and rejuvenating the 40 plus year old vineyards. The refurbishment of the winery and winemaking procedures increased both quantity and quality of wine produced.

Ben was instrumental in developing the Company's initial business strategy (under the Shellproof PLC banner) which included the establishment of the Company's vineyards in Sussex and the acquisition of the Gusbourne Estate business in 2013.

Paul Bentham, Non-Executive Director

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

Paul is the founder and currently the Non-Executive Chairman 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.

Ian Robinson BA FCA, Non–Executive Director

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

Ian is currently a director of Anne Street Partners Limited and non-executive director of a number of privately owned businesses. Previously he was Chief Financial Officer of Carlisle Group's UK staffing and facilities services operations.

Ian has held other senior financial appointments in UK service group companies and has spent several years overseas in both chief executive and chief financial officer roles of a quoted international services group.

Report of the Directors

for the period ended 31 December 2013

The Directors present their report together with the audited financial statements for the period ended 31 December 2013.

Results and dividends

The consolidated statement of comprehensive income is set out on page 21 and shows the result for the period. No dividend was declared (March 2013: £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 strategic report on pages 10 to 13. Principal risks and uncertainties are shown on page 14.

Directors

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

Andrew Weeber
(Non-Executive Chairman)
(appointed 27 September 2013)

Ben Walgate
(Chief Executive)

Paul Bentham
(Non-Executive Director)
(appointed 26 September 2013)

Ian Robinson
(Non-Executive Director)

Andrew Wilson
(Non-Executive Director)
(appointment terminated by death on 15 May 2014)

The beneficial interest of Directors who held office at 31 December 2013 in the share capital of the Company are shown below:

Ordinary shares

	December 2013	March 2013
Andrew Weeber	12.8%	-
Ben Walgate	0.4%	-
Paul Bentham	4.0%	-
Ian Robinson	0.4%	0.6%
Andrew Wilson	0.1%	-

Corporate governance

The Remuneration Committee comprises Paul Bentham (Chairman), Andrew Weeber and Ian Robinson 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

Report of the Directors continued

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 and Paul Bentham 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 Nomination committee comprises Paul Bentham (Chairman), Andrew Weeber and Ian Robinson 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.

Substantial shareholdings

Current shareholdings in excess of 3%:

Shareholder	Shareholding
Lord Ashcroft KCMG PC	64.4%
Andrew Weeber	12.8%
Paul Bentham	4.0%

At 31 December 2013 the ultimate controlling party of the company is Lord Ashcroft KCMG PC.

Creditor payment policy and practice

The Group's policy for the period to 31 December 2013, for all suppliers, is to abide by the agreed terms of payment. The number of days' purchases represented by period-end trade creditors at 31 December 2013 was 30 (March 2013 - 32).

Charitable and political donations

During the period, the Group made charitable and political donations of £Nil (March 2013: £Nil).

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.

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 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Standards and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. 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 judgments and accounting estimates that are reasonable and prudent;
- state whether they 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;
- 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: 3 June 2014

Report of the independent auditors

for the period ended 31 December 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GUSBOURNE PLC

We have audited the financial statements of Gusbourne PLC for the period ended 31 December 2013 which comprise, the group statement of comprehensive income, the group statement of financial position, the group statement of cash flows, the group statement of changes in equity and the related notes and company balance sheet.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2013 and of the group's loss for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Geraint Jones
(senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor
London
Date: 3 June 2014

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

Consolidated statement of comprehensive income

for the period ended December 2013

	Note	December 2013 £'000	March 2013 £'000
Revenue		**129**	-
Cost of sales		**(78)**	-
Gross profit		**51**	-
Change in fair value of biological assets	14	**145**	1
Transaction expenses – stamp duty land tax	11	**(211)**	-
Transaction expenses – other	11	**(187)**	(259)
Other administrative expenses		**(434)**	(352)
Total administrative expenses		**(832)**	(611)
Loss from operations	5	**(636)**	(610)
Finance income	8	**29**	156
Finance expense	8	**(59)**	-
Loss before tax		**(666)**	(454)
Tax expense	9	**(60)**	-
Loss for the period attributable to owners of the parent		**(726)**	(454)
Total comprehensive loss attributable to owners of the parent		**(726)**	(454)
Loss per share attributable to the ordinary equity holders of the parent:	10		
Basic (pence)		**(6.88)**	(5.68)
Diluted (pence)		**(6.88)**	(5.68)

The notes on pages 26 to 46 form part of these financial statements.

Consolidated statement of financial position

at 31 December 2013

	Note	December 2013 £'000	March 2013 £'000
Assets			
Non-current assets			
Intangibles	12	**1,007**	-
Property, plant and equipment	13	**5,724**	347
Biological assets	14	**1,240**	154
		7,971	501
Current assets			
Inventories	16	**1,310**	137
Trade and other receivables	17	**251**	295
Cash and cash equivalents		**1,703**	3,128
		3,264	3,560
Total assets		**11,235**	4,061
Liabilities			
Current liabilities			
Trade and other payables	18	**(324)**	(194)
Redeemable preference shares	21	**-**	(50)
		(324)	(244)
Non-current liabilities			
Loans and borrowings	19	**(2,025)**	-
Convertible deep discount bonds	20	**(1,695)**	-
Deferred tax liabilities	22	**(60)**	-
		(3,780)	(244)
Total liabilities		**(4,104)**	(244)
Net assets		**7,131**	3,817

	Note	December 2013 £'000	March 2013 £'000
Issued capital and reserves attributable to owners of the parent			
Share capital	23	**7,612**	4,000
Share premium	24	**346**	266
Merger reserve	24	**(13)**	(266)
Convertible bond reserve	24	**95**	-
Retained earnings	24	**(909)**	(183)
Total equity		**7,131**	3,817

The financial statements on pages 21 to 46 were approved and authorised for issue by the Board of Directors on 3 June 2014 and were signed on its behalf by:

Andrew Weeber	Ben Walgate
Non-Executive Chairman	**Chief Executive**

The notes on pages 26 to 46 form part of these financial statements.

Consolidated statement of cash flows

for the period ended 31 December 2013

	Note	December 2013 £'000	March 2013 £'000
Cash flows from operating activities			
(Loss)/profit for the period before tax		**(666)**	(454)
Adjustments for:			
Depreciation of property, plant and equipment	13	**36**	18
Profit on disposal of property, plant and equipment		**(8)**	-
Finance expense	8	**59**	-
Finance income	8	**(29)**	(156)
Movement in biological assets	14	**(302)**	(1)
		(910)	(593)
Decrease/(increase) in trade and other receivables		**44**	(275)
Increase in inventories		**(17)**	(53)
Increase in trade and other payables		**130**	170
Cash outflow from operations		**(753)**	(751)
Income taxes paid		**-**	-
Investing activities			
Purchases of property, plant and equipment, excluding vineyard establishment	13	**(653)**	(257)
Investment in vineyard establishment	13	**(418)**	(40)
Purchase of biological assets		**-**	(153)
Acquisition of Gusbourne Estate business	11	**(4,263)**	-
Sale of property, plant and equipment		**35**	-
Interest received		**29**	156
Net cash from investing activities		**(5,270)**	(294)
Financing activities			
Bank loan	19	**2,025**	-
(Redemption)/issue of redeemable preference shares	21	**(50)**	50
Interest paid		**(19)**	-
Issue of ordinary shares	23	**2,851**	-
Share issue expenses		**(209)**	-
Net cash from financing activities		**4,598**	50
Net decrease in cash and cash equivalents		**(1,425)**	(995)
Cash and cash equivalents at the beginning of the period		**3,128**	4,123
Cash and cash equivalents at the end of the period		**1,703**	3,128

The notes on pages 26 to 46 form part of these financial statements.

Consolidated statement of changes in equity

for the period ended 31 December 2013

	Share capital £'000	Share premium £'000	Merger reserve £'000	Convertible bond reserve	Retained earnings £'000	Total attributable to equity holders of parent £'000
31 March 2012	**4,000**	**266**	**(266)**	**-**	**271**	**4,271**
Comprehensive loss for the year	-	-	-	-	(454)	(454)
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**(454)**	**(454)**
31 March 2013	**4,000**	**266**	**(266)**	**-**	**(183)**	**3,817**

31 March 2013	**4,000**	**266**	**(266)**		**(183)**	**3,817**
Shares issued	**3,612**	**80**	**-**	**-**	**-**	**3,692**
Equity recognised on issue of convertible bonds	**-**	**-**	**-**	**95**	**-**	**95**
Excess of fair value over nominal value of shares issued	**-**	**-**	**253**	**-**	**-**	**253**
Comprehensive loss for the period	**-**	**-**	**-**	**-**	**(726)**	**(726)**
Total comprehensive loss for the period	**3,612**	**80**	**253**	**95**	**(726)**	**3,314**
31 December 2013	**7,612**	**346**	**(13)**	**95**	**(909)**	**7,131**

Notes forming part of the financial statements

for the period ended 31 December 2013

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 period ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as the "Group").

Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted for use in the EU ("IFRS"). The Company has elected to prepare its parent Company financial statements in accordance with UK GAAP. These are presented on pages 47 to 52.

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 assets and convertible bonds are stated at their fair value.

Going concern

The directors have reviewed the Group's cash flow forecasts and note that 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, an average of four years to transform these grapes into the Group's premium sparkling wine. Additional funding will be sought by the Group over the coming few years to invest in additional vineyards, winery capacity, and stocks of wine as well as brand development, in line with its development strategy. The directors believe that future fundraisings will be successful and have therefore prepared the financial statements on a going concern basis.

New accounting standards and changes to existing accounting standards

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

IFRS 7 (amended) – Offsetting Financial Assets and Financial Liabilities
IFRS 13 – Fair Value Measurement
IAS 1 (amended) – Presentation of Items of Other Comprehensive Income
IAS 12 (amended) – Deferred Tax: Recovery of Underlying Assets
IAS 19 (revised) – Employee Benefits.
These had no material impact on the financial statements, but the adoption of IFRS 13 Fair Value Measurement has resulted in additional disclosure.

ii. Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group:

At the date of authorisation of these financial statements, the following standards and interpretations applicable to the Group's financial statements were in issue but not yet effective at the period end. They have not been adopted early and when they come into effect are deemed not relevant to the Group or to have no material impact on its financial statements:

1 Accounting policies (continued)

IFRS 9 – Financial Instruments
IFRS 10 – Consolidated Financial Statements
IFRS 11 – Joint Arrangements
IFRS 12 – Disclosure of Interests in Other Entities
IAS 19 (amended) – Defined Benefit Plans – Employee Contributions
IAS 27 (revised) – Separate Financial Statements
IAS 28 (revised) – Investments in Associates and Joint Ventures
IAS 32 (amended) – Offsetting Financial Assets and Financial Liabilities
IAS 36 (amended) – Recoverable Amounts Disclosures for Non-Financial Assets
IAS 39 (amended) – Novation of Derivatives and Continuation of Hedge Accounting
Annual Improvements to IFRSs (2010-2012 Cycle)
Annual Improvements to IFRSs (2011-2013 Cycle)

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. 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

Revenue from the sales of goods is recognised when the Group has transferred the significant risks and rewards of ownership to the buyer and it is probable that the Group will receive the previously agreed upon payment. These criteria are considered to be met when the goods are delivered to the buyer. Where the buyer has a right of return, revenue is recognised in the period where the goods are delivered less an appropriate provision for returns based on past experience.

Notes forming part of the financial statements continued

1 Accounting policies (continued)

Financial assets

Loans and receivables

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.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being 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.

Convertible deep discount bonds

Convertible deep discount bonds are redeemable at their nominal price at maturity. The bonds may be converted into the Company's shares at the holders' option and are therefore classified as compound financial instruments in accordance with the requirements of IAS 32. The debt element is calculated as the present value of future cash flows assuming the bonds are redeemed on the redemption date, discounted at the market rate for an equivalent debt instrument with no option to convert to equity. The difference between the cash payable on maturity and the present value of the debt element is recognised within equity. The discount is charged over the life of the bond to the statement of comprehensive income and included within finance expenses.

1 Accounting policies (continued)

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.

Redeemable preference shares

The Group's redeemable preference shares are classified as financial liabilities. The shares are redeemable at the option of the Directors of the Company or the holder of the redeemable preference shares.

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;
- 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.

Notes forming part of the financial statements continued

1 Accounting policies (continued)

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 present value of the estimated future cash flows from the separately identifiable assets, termed a 'cash generating unit'. The Group prepares and approves formal long term business plans for its operations which are used in these calculations.

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 and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

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 vines are remeasured at fair value less costs to sell and transferred to biological assets. The remaining vineyard establishment costs will then be depreciated over their expected useful economic lives.

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 land and buildings	4% per annum straight line
Plant, machinery and motor vehicles	5-20% per annum straight line
Computer equipment	33% per annum straight line

Biological assets and produce

Biological assets consist of grape vines and are included in the statement of financial position at fair value less costs to sell. The determination of the fair value of grape vines requires significant management judgement and, amongst others, the following factors are considered: discount rate, the productive life and yield of the vines, notional rents for land (to allow comparability between freehold and leasehold vineyards) and expected

1 Accounting policies (continued)

sales prices. Detailed explanations of the methods employed to value the vines are described in note 14 to the accounts. Gains and losses arising from changes in fair value are included in the income statement in the period in which they arise.

Harvesting of the grape crop is ordinarily carried out in October. The costs of growing the grapes are capitalised in the period in which they are incurred. Grapes that are used in production of the Group's own wine are included at fair value in wine inventory. The fair value of grapes is determined by reference to market prices at the time of harvest.

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 incurred in bringing the inventories to their present location and condition. Grapes grown in the Group's vineyards are transferred into inventory from biological assets 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.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate fair value of the consideration given. The related transaction expenses are recognised in the statement of comprehensive income as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair value at the acquisition date.

2 Critical accounting 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 period relate are set out below.

Biological assets valuation

Biological assets are stated at fair value which requires the use of certain unobservable inputs in the Group's valuation model. The techniques and assumptions used are set out in note 14.

Fair value of biological produce

The Group's biological produce is measured at fair value at the point of harvest. This is based on a deemed market value less costs to sell. 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.

Notes forming part of the financial statements continued

2 Critical accounting estimates and judgements (continued)

Business combinations

Assets and liabilities acquired and consideration given are recognised and measured at fair value. This requires a degree of judgement by management, for example, the fair value of inventory is measured as estimated selling prices less deductions for estimated costs to bring the items to a saleable state and selling costs, discounted to present values.

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 value in use 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 12.

Useful lives of plant, property and equipment

The charge in respect of depreciation is calculated based on management's estimate of an asset's useful economic life and its residual value at the end of that life. An increase in the useful life or residual value would result in a decreased depreciation charge in the statement of consolidated income.

Convertible debt

The equity element of convertible debt is calculated by reference to a market rate for a similar, non-convertible, bond. A higher rate would result in a greater proportion of the instrument being recognised as equity on the statement of financial position.

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
- Convertible debt
- Trade receivables
- Cash and cash equivalents
- Trade and other payables

Liquidity risk

The Group closely monitors and manages its liquidity risk. Cash forecasts are regularly produced and sensitivities run for different scenarios.

3 Financial instruments - risk management (continued)

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.

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.

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 the statement of comprehensive income would increase by £10,000.

4 Segmental information

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, statement of financial position and consolidated statement of cash flows on pages 21 to 24.

All operations are conducted in the United Kingdom.

5 Loss from operations

Loss from operations has been arrived at after charging:

	December 2013 £'000	March 2013 £'000
Depreciation of property, plant and equipment (owned assets)	**36**	18
Profit on disposal of property, plant and equipment	**(8)**	-
Staff costs (see note 7)	**201**	99

Notes forming part of the financial statements continued

6 Auditor's remuneration

	December 2013 £'000	March 2013 £'000
Auditor's remuneration		
- Audit: consolidation	**27**	16
- Audit: subsidiaries	**7**	5
Auditor's remuneration: services relating to corporate finance transactions	**132**	34
	166	55

7 Staff costs

	December 2013 £'000	March 2013 £'000
Staff costs (including Directors) comprise:		
Wages and salaries	**188**	94
Social security contributions and similar taxes	**13**	5
	201	99

The average number of employees of the Group, including Directors, during the period was 8 (March 2013: 3). Directors' remuneration was as follows:-

	Salaries £'000	Fees £'000	December 2013 £'000	March 2013 £'000
Andrew Weeber	13	-	**13**	-
Ben Walgate	60	-	**60**	60
Paul Bentham	5	-	**5**	-
Ian Robinson	-	30	**30**	24
Andrew Wilson	-	15	**15**	10
	78	**45**	**123**	**94**

Ben Walgate is the highest paid director. Fees in respect of Ian Robinson and Andrew Wilson are payable to Anne Street Partners Limited under the terms of agreements dated 8 October 2012.

The Directors are considered to be key management.

7 Staff costs (continued)

	December 2013 £'000	March 2013 £'000
Key management personnel costs were as follows:		
Short term employment benefits including social security contributions	**131**	99
	131	99

8 Finance income and expense

	December 2013 £'000	March 2013 £'000
Finance income		
Interest received on bank deposits	**29**	156
Total finance income	**29**	156
Finance expense		
Interest payable on borrowings	**19**	-
Convertible deep discount bond charge	**40**	-
Total finance expense	**59**	-

9 Taxation

	December 2013 £'000	March 2013 £'000
Current tax expense		
Current tax on profits for the year	**-**	-
Total current tax	**-**	-
Deferred tax expense		
Origination and reversal of temporary differences	**60**	-
Total deferred tax	**60**	-
Total tax expense	**60**	-

Notes forming part of the financial statements continued

9 Taxation (continued)

	December 2013 £'000	March 2013 £'000
(Loss) on ordinary activities before tax	**(666)**	(454)
(Loss) on ordinary activities at the standard rate of corporation tax in the UK for the period of 23.25% (March 2013: 24%)	**(155)**	(109)
Effects of:		
Tax losses carried forward	**155**	109
Tax charge 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 £833,000 (March 2013: £235,000)

10 Loss per share

Basic earnings per ordinary share are based on an equity loss of £726,000 (March 2013: £454,000) and 10,548,391 ordinary shares (March 2013: 8,000,003) of 50 pence each, being the weighted average number of shares in issue during the period. There is no adjustment to be made for diluted earnings per ordinary share.

	Loss £'000	Weighted average number of shares	Loss per ordinary share pence
Period ended 31 December 2013	**(726)**	**10,548,391**	**(6.88)**
Year ended 31 March 2013	(454)	8,000,003	(5.68)

11 Business combinations

On 27 September 2013 Gusbourne Estate Limited, a wholly owned subsidiary of the Group, acquired the Gusbourne Estate business and related freehold property for a total consideration of £7,316,000. The principal reason for this acquisition was to invest in, and further develop, the Gusbourne Estate business including, in particular, its award winning Gusbourne brand to take advantage of further anticipated market growth in this sector of the wine industry.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

Net assets at the acquisition date	Book value £'000	Fair value adjustment £'000	Fair value £'000
Property, plant and equipment	4,369	-	4,369
Biological assets	1,074	-	1,074
Inventories	641	225	866
Brand	-	230	230
Total net assets	**6,084**	**455**	**6,539**

Fair value of consideration paid:	£'000
Cash	4,263
Shares	1,303
Convertible bond – present value of debt element	1,655
Convertible bond – equity element	95
Total consideration	**7,316**

Goodwill	**777**

Transaction costs of £187,000 and Stamp Duty Land Tax of £211,000 in connection with the acquisition have been recognised in the statement of comprehensive income. The acquisition of the Gusbourne Estate business generated post acquisition revenue of £129,000 and profits before interest and tax of £39,000.

The fair value of the Group's shares issued in consideration for the acquisition has been based on the acquisition date share price of £0.67 per share. The convertible bond was also fair valued at the date of acquisition.

The main factors leading to the recognition of goodwill are the presence of intangible assets, such as the workforce of the acquired entity, which do not qualify for separate recognition, and synergies resulting from material cost savings and sharing of expertise and systems which will enable future growth.

Notes forming part of the financial statements continued

12 Intangibles

	Goodwill £'000	Brand £'000	Total £'000
Cost			
At 1 April 2013	-	-	-
Arising on acquisition of the Gusbourne Estate business	777	230	1,007
At 31 December 2013	**777**	**230**	**1,007**
Impairment losses			
At 1 April 2013	**-**	**-**	**-**
Charge for the period	-	-	-
At 31 December 2013	**-**	**-**	**-**
Net book value			
At 1 April 2013	-	-	-
At 31 December 2013	**777**	**230**	**1,007**

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

	December 2013 £'000	March 2013 £'000
Gusbourne Estate	**777**	**-**

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

The Group's management prepare long term cash flow forecasts for 13 years, and then applies a discount rate to determine the present value of the future cash flows arising from the cash-generating unit to arrive at a recoverable amount. Where the recoverable amount is lower than the carrying value of goodwill allocated to the cash-generating unit an impairment charge is made. The discount rate used is 17% based on the Group's estimated weighted cost of capital. No growth rate has been applied over the term of the long term cash flow forecasts. This is a level 3 fair value hierarchy.

13 Property, plant and equipment

	Freehold Land and Buildings £'000	Plant, machinery and motor vehicles £'000	Vineyard establishment £'000	Computer equipment £'000	Total £'000
Cost or valuation					
At 1 April 2012	-	76	-	-	76
Additions	222	32	40	3	297
At 31 March 2013	**222**	**108**	**40**	**3**	**373**
At 1 April 2013	222	108	40	3	373
Acquisition of the Gusbourne Estate business	4,289	80	-	-	4,369
Additions	99	538	418	16	1,071
Disposals	-	(40)	-	-	(40)
At 31 December 2013	**4,610**	**686**	**458**	**19**	**5,773**

Notes forming part of the financial statements continued

13 Property, plant and equipment (continued)

	Freehold land and buildings £'000	Plant, Machinery and motor Vehicles £'000	Vineyard establishment £'000	Computer equipment £'000	Total £'000
Accumulated depreciation					
At 1 April 2012	-	8	-	-	8
Depreciation charge for the year	-	17	-	1	18
At 31 March 2013	**-**	**25**	**-**	**1**	**26**
At 1 April 2013	-	25	-	1	26
Depreciation charge for the year	9	26	-	1	36
Depreciation on disposals	-	(12)	-	-	(12)
At 31 December 2013	**9**	**39**	**-**	**2**	**50**
Net book value					
At 31 March 2013	222	83	40	2	347
At 31 December 2013	**4,601**	**647**	**458**	**17**	**5,723**

14 Biological assets

The fair value of biological assets at the balance sheet date was:

	Vines £'000
At 1 April 2013	154
Arising on acquisition of Gusbourne Estate business	1,074
Fair value of grapes harvested and transferred to inventory	(290)
Crop growing costs	157
Change in fair value due to price, yield and maturity	145
At 31 December 2013	**1,240**

The Group owns bearer biological assets in the form of grape vines, which are cultivated on land owned by the Group. The grapes produced from these vines are used in the production of the Group's own wines.

The total area of vines at December 2013 amounted to 104.8 acres (March 2013: 7.7 acres) of which approximately 58.5 acres (March 2013: 7.7 acres) can be classified as mature (i.e. four years after planting). The average peak productive life of grape vines is estimated to be 25 years.

14 Biological assets (continued)

The fair value of mature grape vines was calculated by discounting the net cash flows thereof over their remaining lives at a pre-tax discount rate of 17% (March 2013: 17%). The net cash flows were calculated with reference to grape varieties, expected yields, estimated future market value of grapes and estimated future production costs based on anticipated costs and third party sale prices achieved. Future prices are adjusted for inflation.

Planting expenditure is carried forward at cost in the statement of financial position with property, plant and equipment until the vines reach maturity, at which point they are re-measured at fair value and re-classified as biological assets.

Fair value

The fair value of vines is determined based on a level 3 valuation method, that is, using valuation methods that include inputs that are not based on market data. The significant unobservable inputs used in the discounted cash flow model developed to value the vines are the discount rate, yields and fair value of grapes.

For example, a 10% increase in the discount rate to 18.7% would result in a decrease in fair value of the biological assets by £103,500. In addition cashflows are projected over a number of years and based on estimated harvest yields. Yields are based on an average of the performance of the Group's vines over previous harvests.

Changes in these estimates could materially impact estimates of future cashflows used in the assessment of the fair values.

Notes forming part of the financial statements continued

15 Subsidiaries

The principal subsidiaries of Gusbourne PLC, all of which have been included in these consolidated financial statements, are as follows:

		Proportion of ownership interest at	
Name	Country of incorporation	December 2013	March 2013
Gusbourne Estate Limited	England and Wales	100%	100%
Gusbourne Wines Limited	England and Wales	100%	n/a

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

16 Inventories

	December 2013 £'000	March 2013 £'000
Finished goods	171	-
Work in progress	1,139	137
Total inventories	**1,310**	**137**

17 Trade and other receivables

	December 2013 £'000	March 2013 £'000
Trade receivables	66	-
Prepayments	19	156
Other receivables	166	139
Total trade and other receivables	**251**	**295**

Trade and other receivables are due within 1 year apart from £50,000 (March 2013: Nil) included within other receivables which is due in more than 1 year.

18 Trade and other payables

	December 2013 £'000	March 2013 £'000
Trade payables	173	160
Accruals	86	31
Other payables	54	-
Total financial liabilities, excluding loans and borrowings classified as financial liabilities measured at amortised cost	**313**	**191**
Other payables - tax and social security payments	11	3
Total trade and other payables	**324**	**194**

Book values are approximate to fair value at 31 December 2013 and 31 March 2013.

19 Loans and borrowings

	December 2013 £'000	March 2013 £'000
Bank loans	2,025	-
Total loans and borrowings	**2,025**	**-**

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 September 2018. 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.

Notes forming part of the financial statements continued

20 Convertible bonds

	£'000
Present value of debt element at issue on 27 September 2013	1,655
Equity element	95
Nominal value of bond at issue date	**1,750**

Present value of debt element at issue date	1,655
Discount expense for the period	40
Carrying value of debt element at 31 December 2013	1,695
Equity element at 31 December 2013	95
Total fair value at 31 December 2013	**1,790**

Convertible bonds represent the debt element of a deep discount bond issued to Mr A C V Weeber and Mrs C Weeber as part of the consideration for the acquisition of the Gusbourne Estate business on 27 September 2013. The Bond is secured by a fixed charge over the group's land and buildings at Appledore, Kent. The Bond is redeemable on 27 September 2017 and attracts a coupon rate of 7.5% per annum which is rolled up annually. From 27 September 2015 until the 26 September 2016 the holders of the Bond can convert some or all of the bonds into Gusbourne PLC ordinary shares at a price of 66 pence per share.

In accordance with the requirements of IAS 32 the Bond is classified as a compound financial instrument containing an element of debt and equity. The debt element is calculated as the present value of future cash flows assuming the Bond is redeemed on the redemption date, discounted at the market rate for an equivalent debt instrument with no option to convert to equity. A rate of 9% has been used. The difference between the cash payable on maturity and the present value of the debt element is recognised in equity. The discount is charged over the life of the bond to the statement of comprehensive income and included within finance expenses.

21 Redeemable preference shares

	Redeemable preference shares of 50p each	
Issued and fully paid	Number	£'000
At 1 April 2012 & 31 March 2013	99,999	50
Redeemed during the period	(99,999)	(50)
At 31 December 2013	**-**	**-**

On 26 September 2013 Gusbourne PLC redeemed 99,999 redeemable preference shares of fifty pence each against the proceeds of the new ordinary share issue (note 23). The shares were redeemable at the option of the Directors of the Company or the holder of the redeemable preference shares.

22 Deferred tax liabilities

	£'000
At 1 April 2013	-
Movement on fair value of biological assets	60
At 31 December 2013	**60**

23 Share capital

	Ordinary shares of 50p each	
Issued and fully paid	Number	£'000
At 1 April 2012	8,000,002	4,000
Other issues for cash during the year	1	-
At 31 March 2013	**8,000,003**	**4,000**
Issued for cash during the year	5,280,367	2,640
Issued as consideration for acquisition	1,944,444	972
At 31 December 2013	**15,224,814**	**7,612**

On 27 September 2013 Gusbourne PLC (formerly Shellproof PLC) issued 5,280,367 50 pence ordinary shares. The shares were fully subscribed and paid up. A further 1,944,444 were issued to the vendor of Gusbourne Estate as part of the consideration for the acquisition on the same date. Further details in respect of the acquisition can be found in Note 11.

Notes forming part of the financial statements continued

24 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 is the difference between the fair value of the shares issued and the market value of the shares acquired.
Convertible bonds	The convertible bonds reserve is the equity element of the bonds as disclosed in note 20.
Retained earnings	The retained earnings represent cumulative net gains and losses recognised in the Group's statement of consolidated income.

25 Related party transactions

At 31 December 2013 £1,500,000 (31 March 2013 - £3,009,000) of cash and cash equivalents were held on deposit at British Caribbean Bank Limited ('BCBL'), a related party. BCBL is a wholly owned subsidiary of Waterloo Investment Holdings Limited ('WIHL'). Lord Ashcroft, KCMG PC, is a controlling shareholder in both the Company and WIHL.

On 27 September 2013 Gusbourne PLC redeemed 99,999 redeemable preference shares of fifty pence each from Lord Ashcroft KCMG PC for the amount of £50,000.

Anne Street Partners Limited is considered a related party by virtue of the fact that Ian Robinson, a director of Gusbourne PLC, is also a director of Anne Street Partners Limited. During the period Anne Street Partners Limited charged the Company in total £137,500 (March 2013 - £83,769). Of this, £45,000 was in relation to directors fees (March 2013 - £33,769) and £92,500 management services (March 2013 - £50,000). At 31 December 2013 an amount of £111,000 inclusive of VAT (March 2013 – £60,000) was due to Anne Street Partners Limited and is shown within trade and other payables.

Included within other receivables at 31 December 2013 is an amount of £41,000 due from Andrew Weeber, Non-Executive Chairman. This represents net amounts received by Andrew Weeber on behalf of the Group in respect of trading items post acquisition of the Gusbourne Estate business on 27 September 2013. These amounts have been received by the Group since 31 December 2013.

Parent company financial statements

Company balance sheet
at 31 December 2013

	Note	December 2013 £'000	March 2013 £'000
Fixed assets			
Investments	4	**-**	-
Current assets			
Debtors	5	**7,823**	1,215
Cash at bank and in hand		**1,609**	3,010
		9,432	4,225
Creditors: amounts due within one year	6	**(170)**	(167)
Creditors: amounts due in more than one year	7	**(1,790)**	-
Net assets		**7,472**	**4,058**
Capital and reserves			
Called up share capital	8	**7,612**	4,000
Share premium	10	**346**	266
Profit and loss account	10	**(486)**	(208)
Shareholders' funds		**7,472**	**4,058**

The financial statements were approved and authorised for issue by the Board on 3 June 2014 and were signed on its behalf by Ian Robinson.

Ian Robinson

Secretary and Non-Executive Director

The notes of pages 49 to 52 form part of these financial statements

Notes forming part of the company financial statements

for the period 31 December 2013

1 Accounting policies

The following principal accounting policies have been applied:

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with UK GAAP and Company law.

The following principal accounting policies have been applied:

Investments

Investments in subsidiary undertakings are carried at cost less any provision for impairment.

Cashflow statement

The Company has used the exemption under FRS 1 Cashflow Statements, not to prepare a cashflow statement, as a consolidated cashflow statement is included in the financial statements of its ultimate holding company, which are publicly available.

Related party disclosures

The Company has taken advantage of the exemption conferred by FRS 8 Related Party Disclosures, not to disclose transactions with other wholly owned group companies.

2 Employees and directors

The average number of employees of the Company, including Directors, during the period was 4 (March 2013: 3). The aggregate payroll costs of these persons were as follows:

	December 2013 £'000	March 2013 £'000
Wages and salaries	**123**	72
Social security contributions and similar taxes	**8**	5
	131	**77**

Details of individual directors' remuneration are shown in note 7 to the consolidated financial statements.

Notes forming part of the company financial statements continued

3 Loss for the financial period

In accordance with Section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account in these financial statements. The Company results for the period include a loss after tax and before dividends payable of £278,000 which is dealt with in the financial statements of the parent company.

4 Fixed asset investments

The following were the principal subsidiary undertakings at the end of the period:

Name	Country of incorporation	Proportion of ownership interest at 31 December 2013
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.

5 Debtors

	December 2013 £'000	March 2013 £'000
Amounts due from group undertakings	**7,772**	1,048
Other debtors	**44**	96
Prepayments and accrued income	**7**	71
	7,823	**1,215**

6 Creditors: amounts due within one year

	December 2013 £'000	**March 2013 £'000**
Trade creditors	**111**	90
Other creditors	**-**	3
Accruals and deferred income	**59**	24
Redeemable preference shares	**-**	50
	170	**167**

7 Creditors: amounts due after more than one year

	December 2013 £'000	March 2013 £'000
Convertible bonds	**1,790**	-
	1,790	**-**

Convertible bonds represent the deep discount bond issued to A C V Weeber and Mrs C Weeber as part of the consideration for the acquisition of the Gusbourne Estate business. The Bond is secured by a fixed charge over the Group's land and buildings at Appledore, Kent. The Bond is redeemable on 27 September 2017 and attracts a coupon rate of 7.5% per annum which is rolled up annually.

From 27 September 2015 until the 26 September 2016 the holders of the Bond can convert some or all of the bonds into Gusbourne PLC ordinary shares at a price of 66 pence per share.

8 Share Capital

Details of the share capital of the Company are included in note 23 to the consolidated financial statements.

9 Reconciliation of movements in shareholders' funds

	Shareholders' funds £'000
At 1 April 2012	-
Issue of shares	4,000
Premium on shares issued	266
Loss for the year ended 31 March 2013	(208)
At 31 March 2013	**4,058**
Loss for the period ended 31 December 2013	(278)
Issue of shares	3,612
Premium on shares issued	80
At 31 December 2013	**7,472**

Notes forming part of the company financial statements continued

10 Capital and reserves

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
At 1 April 2013	4,000	266	(208)	4,058
Issue of ordinary shares	3,612	80	-	3,692
Retained earnings during the period	-	-	(278)	(278)
At 31 December 2013	**7,612**	**346**	**(486)**	**7,472**

11 Ultimate controlling party

In the opinion of the Directors the ultimate controlling party at 31 December 2013 is Lord Ashcroft KCMG PC.

12 Related party transactions

Details of the related party transactions of the Company are included in note 25 to the consolidated financial statements.

Company information

Country of incorporation of parent company

England and Wales

Legal form

Public limited company

Directors

A C V Weeber *(Non-Executive Chairman)*
B J Walgate *(Chief Executive)*
I G Robinson *(Non-Executive Director)*
P G Bentham *(Non-Executive Director)*

Secretary and registered office

I G Robinson
7 Cowley Street
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Company number

08225727

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London
W1U 3EU

Nominated adviser and broker

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EC2R 7AS

Solicitors

Brabners LLP
55 King Street
Manchester
M2 4LQ

Bankers

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