# Shellproof PLC

Report and Financial Statements

Year Ended

31 March 2013

Company Number 08225727

# Shellproof PLC

**Report and financial statements**
**for the year ended 31 March 2013**

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# Shellproof PLC

## Company information

**Country of incorporation of parent company**
England and Wales

**Legal form**
Public limited company

**Directors**
Ian George Robinson (Non-Executive Chairman)
Benjamin James Walgate (Chief Executive)
Andrew Stephen Wilson (Non-Executive Director)

**Secretary and registered office**
Ian George Robinson
7 Cowley Street
London
SW1P 3NB

**Company number**
08225727

**Auditors**
BDO LLP
55 Baker Street
London
W1U 3EU

**Nominated adviser and broker**
Cenkos Securities PLC
6.7.8 Tokenhouse Yard
London
EC2R 7AS

**Solicitors**
Brabners LLP
55 King Street
Manchester
M2 4LQ

**Bankers**
HSBC Bank PLC
8 Victoria Street
London
SW1H 0NJ

**Registrars**
Capita Registrars Limited
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

## Business review

### Principal activities

The principal activities of Shellproof PLC ("the Company") and its subsidiaries ("the Group") comprise the production, sale and distribution of English sparkling wine. The Company remains at the early stages of development of these activities.

The activities are currently based on the Company's 13.4 acres of freehold land at Halnaker, West Sussex and on 65.8 acres of other land in West Sussex which is held on long term farm business tenancies. At the end of May 2013 the Company had 9.7 acres of planted vineyards at the Halnaker site, of which 7.7 acres were mature vines and a further 44.3 acres of newly planted vineyards on the long term farm business tenancy sites.

On 24 October 2012 Shellproof PLC, a UK incorporated company, merged with Shellproof Limited, a Belize AIM listed company, in accordance with the provisions of Part VII of the International Business Companies Act. This resulted in Shellproof PLC being the surviving company from the merger and all the rights and obligations of Shellproof Limited vesting in Shellproof PLC.

This transaction does not meet the definition of a business combination under IFRS 3. In the absence of an IFRS that specifically applies to this transaction, and in accordance with IAS 8, the directors have concluded that this transaction meets the definition of a group reconstruction under United Kingdom Generally Accepted Accounting Practice and have therefore adopted the merger accounting rules contained in Financial Reporting Standard 6, Acquisitions and Mergers.

On this date, the Shellproof Limited shares were treated as cancelled and each Shellproof Limited share was converted into one ordinary share of fifty pence in Shellproof PLC.

Shellproof Limited was then struck off the Register of International Business Companies of Belize on 24 October 2012, on the basis that an agreement was entered between Shellproof PLC and the Register of International Business Companies of Belize pursuant to section 87 (2) (b) of the IBCA.

The Group financial statements therefore represent a continuation of the financial statements of Shellproof Limited.

### Results for the period

The consolidated statement of comprehensive income of the Group is set out on page 9. No revenue was generated during the year since the Group's business activity remains at the early stages of development.

Administrative expenses were incurred of £611,000 which included £259,000 in respect of the merger of Shellproof Limited noted above.

During the year the Group earned interest income of £156,000 on its cash deposits.

After finance income the net loss for the year was £454,000.

The Group's balance sheet at 31 March 2013 shows net assets of £3,817,000 which includes £3,128,000 of cash and £347,000 of freehold property, plant and equipment. Biological assets of £154,000 represent the fair value of the vines.

### Financing

The Group's activities are financed by its own cash resources.

### Board and senior management

The board remains unchanged from the one appointed to the Company on 24 September 2012 as set out in the report of the Directors.

## Principal risks and uncertainties

*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 paragraph ("Crop disease") below. The Group strategy to mitigate this risk is to monitor the micro climate in its existing vineyards through the use of temperature loggers with particular regard to late frosts so that appropriate action can be taken including the use of specialist frost prevention equipment. The Group's strategy is also to spread its risk by planting vines in a number of different parts of the South of England.

*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 significantly with 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. The Group's strategy remains to produce the highest quality products and develop brands with related support to attract and retain customer loyalty.

*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. However these risks can be minimised through good husbandry and management practices. Please also refer to paragraph ("Climate change") above.

*Management*

The operations of the Group are dependent upon the continuing employment of a few key people in the management team. The future results of the Group depend significantly upon the efforts and expertise of such individuals. The loss of the services of any of these key people could have a material adverse effect on the business of the Group. As the Group expands the Group will recruit additional senior management which will help reduce the dependence on a few key managers. The Group ensures that the management team is appropriately rewarded.

## Current trading and outlook

The Group continues to develop its principal activities in line with its expectations. The Group has recently recruited additional staff to support its on-going development. The continuing media attention and favourable commentary on English sparkling and still wine products and their international award achievements is encouraging.

# Shellproof PLC

### Report of the directors for the period ended 31 March 2013

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

**Results and dividends**

The consolidated statement of comprehensive income statement is set out on page 9 and shows the result for the period. No dividend was declared (2012 - £Nil).

**Principal activities**

The principal activities of Shellproof 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 Business Review on pages 2 to 3. Principle risks and uncertainties are also noted in this review.

**Directors**

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

| | |
|---|---|
| Ian George Robinson (Non-Executive Chairman) | (appointed 24 September 2012) |
| Benjamin James Walgate (Chief Executive) | (appointed 24 September 2012) |
| Andrew Stephen Wilson (Non-Executive Director) | (appointed 24 September 2012) |

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

| | Ordinary shares | |
|---|---|---|
| | **2013** | **2012** |
| Ian George Robinson | 46,442 | 46,442 |
| Benjamin James Walgate | - | - |
| Andrew Stephen Wilson | - | - |

**Corporate governance**

The Remuneration Committee comprises Andrew Wilson (Chairman) 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 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) and Andrew Wilson 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.

**Substantial shareholdings**

Current shareholdings in excess of 3%:

| **Shareholder** | **Shareholding** |
|---|---|
| Lord Ashcroft KCMG PC | 76.2% |

At 31 March 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 March 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 March 2013 was 32 (2012 - nil).

**Charitable and political donations**

During the period, the Group made charitable and political donations of £Nil (2012 - £Nil).

**Directors' responsibilities**

The directors are responsible for preparing the 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 judgements 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 Chairman**

3 September 2013

**Report of the independent auditors for the period ended 31 March 2013**

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### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHELLPROOF PLC

We have audited the financial statements of Shellproof PLC for the year ended 31 March 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 Auditing Practices Board'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 March 2013 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company'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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Report of the independent auditors for the period ended 31 March 2013 (continued)**

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**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*

*3 September 2013*

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

# Shellproof PLC

## Consolidated statement of comprehensive income
## for the year ended 31 March 2013

| | Note | 2013 £'000 | 2012 £'000 |
|---|---|---|---|
| **Revenue** | 4 | **-** | - |
| Cost of sales | | **-** | - |
| Gain in fair value less estimated costs to sell of biological assets | | **1** | - |
| **Gross profit** | | **1** | - |
| Administrative expenses | 5 | **(611)** | (143) |
| **Loss from operations** | | **(610)** | (143) |
| Finance income | 8 | **156** | 152 |
| **(Loss)/profit before tax** | | **(454)** | 9 |
| Tax expense | 9 | **-** | - |
| **(Loss)/profit for the year attributable to owners of the parent** | | **(454)** | 9 |
| **Total comprehensive (loss)/income attributable to owners of the parent** | | **(454)** | 9 |
| **(Loss)/earnings per share attributable to the ordinary equity holders of the parent** | 10 | | |
| **(Loss)/profit** | | | |
| Basic (pence) | | **(5.68)** | 0.11 |
| Diluted (pence) | | **(5.68)** | 0.11 |

The notes on pages 14 to 29 form part of these financial statements.

# Shellproof PLC

## Consolidated statement of financial position
## at 31 March 2013

| | Note | 2013 £'000 | 2012 £'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | **347** | 68 |
| Biological assets | 12 | **154** | - |
| | | **501** | 68 |
| **Current assets** | | | |
| Inventories | 14 | **137** | 84 |
| Trade and other receivables | 15 | **295** | 20 |
| Cash and cash equivalents | | **3,128** | 4,123 |
| | | **3,560** | 4,227 |
| **Total assets** | | **4,061** | 4,295 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 16 | **(194)** | (24) |
| Redeemable preference shares | 17 | **(50)** | - |
| **Total liabilities** | | **(244)** | (24) |
| **NET ASSETS** | | **3,817** | 4,271 |

# Shellproof PLC

### Consolidated statement of financial position
### at 31 March 2013

| | Note | 2013 £'000 | 2012 £'000 |
|---|---|---|---|
| **Issued capital and reserves attributable to owners of the parent** | | | |
| Share capital | 18 | **4,000** | 4,000 |
| Share premium | 19 | **266** | 266 |
| Merger reserve | 19 | **(266)** | (266) |
| Retained earnings | 19 | **(183)** | 271 |
| **TOTAL EQUITY** | | **3,817** | 4,271 |

The financial statements on pages 9 to 29 were approved and authorised for issue by the Board of Directors on 3 September 2013 and were signed on its behalf by:

Ian Robinson

**Secretary and Non-Executive Chairman**

The notes on pages 14 to 29 form part of these financial statements.

## Shellproof PLC

### Consolidated statement of cash flows
### for the year ended 31 March 2013

| | Note | 2013 £'000 | 2012 £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| (Loss)/profit for the year before tax | | **(454)** | 9 |
| *Adjustments for:* | | | |
| Depreciation of property, plant and equipment | 11 | **18** | 8 |
| Finance income | 8 | **(156)** | (152) |
| Movement on fair value of biological asset | | **(1)** | - |
| | | **(593)** | (135) |
| Increase in trade and other receivables | | **(275)** | (1) |
| Increase in inventories | | **(53)** | (84) |
| Increase in trade and other payables | | **170** | 10 |
| **Cash generated from operations** | | **(751)** | (210) |
| Income taxes paid | | **-** | - |
| **Net cash flows from operating activities carried forward** | | **(751)** | (210) |
| **Investing activities** | | | |
| Purchases of property, plant and equipment | | **(297)** | (76) |
| Purchase of Biological assets | | **(153)** | - |
| Interest received | | **156** | 152 |
| **Net cash from investing activities** | | **(294)** | 76 |
| **Financing activities** | | | |
| Issue of redeemable preference shares | | **50** | - |
| **Net cash from financing activities** | | **50** | - |
| **Net decrease in cash and cash equivalents** | | **(995)** | (134) |
| **Cash and cash equivalents at beginning of year** | | **4,123** | 4,257 |
| **Cash and cash equivalents at end of year** | | **3,128** | 4,123 |

The notes on pages 14 to 29 form part of these financial statements.

# Shellproof PLC

## Consolidated statement of changes in equity
## for the year ended 31 March 2013

| | Share capital £'000 | Share premium £'000 | Merger reserve £'000 | Retained earnings £'000 | Total attributable to equity holders of parent £'000 |
|---|---|---|---|---|---|
| **31 March 2011** | **4,000** | **266** | **(266)** | **262** | **4,262** |
| **Comprehensive Income for the year** | | | | | |
| Profit | - | - | - | 9 | 9 |
| **Total comprehensive Income for the year** | **-** | **-** | **-** | **9** | **9** |
| **31 March 2012** | **4,000** | **266** | **(266)** | **271** | **4,271** |

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

## 1 Accounting policies

Shellproof PLC (the “Company”) is a company incorporated and domiciled in the United Kingdom and quoted on the London Stock Exchange’s AIM market. The consolidated financial statements of the Group for the year ended 31 March 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 31 to 34.

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.

*New accounting standards and changes to existing accounting standards*

*i. Standards and interpretations effective in current period:*

Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12)

Transfers of Financial Assets (amendments to IFRS 7)

The amendments referred to above have been adopted, but have had no impact on results in either the current or prior period.

**1 Accounting policies** *(Continued)*

*New accounting standards and changes to existing accounting standards (continued)*

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

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods commencing on or after 1 April 2013 or later periods, but they have not been early adopted:

Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)

IFRS 10 Consolidated Financial Statements

IFRS 11 Joint Arrangements

IFRS 12 Disclosure of Interests in Other Entities

IFRS 13 Fair Value Measurement

IAS 27 Separate Financial Statements

IAS 28 Investments in Associates and Joint Ventures

IAS 19 Employees Benefits

Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)

Government Loans (amendments to IFRS 1)

Annual Improvements to IFRSs (2009-2011 Cycle)

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

IFRS 9 Financial Instruments

*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.

## 1 Accounting policies *(Continued)*

### Merger accounting

On 24 October 2012, Shellproof PLC, a UK incorporated company, merged with Shellproof Limited, a Belize AIM listed company, in accordance with the provisions of Part VII of the International Business Companies Act ("IBCA"). This resulted in Shellproof PLC being the surviving company from the merger and all the rights and obligations of Shellproof Limited vesting in Shellproof PLC.

This transaction does not meet the definition of a business combination under IFRS 3. In the absence of an IFRS that specifically applies to this transaction, and in accordance with IAS 8, the directors have concluded that this transaction meets the definition of a group reconstruction under United Kingdom Generally Accepted Accounting Practice and have therefore adopted the merger accounting rules contained in Financial Reporting Standard 6, Acquisitions and Mergers.

For the consolidated financial statements, the adoption of merger accounting presents Shellproof PLC as if it had always been the parent undertaking of the Group. As Shellproof PLC was incorporated after 1 April 2012, the figures corresponding figures shown for the year ended 31 March 2012 are those previously presented for Shellproof Limited except that the share capital, share premium and merger reserve are those of Shellproof PLC, shown as if the merger had occurred at 1 April 2011.

### 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.

### Financial assets

The Group's only financial assets are classified as 'loans and receivables'.

*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.

1 **Accounting policies** *(Continued)*

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

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***

The Group's only financial liabilities are classified as 'other financial liabilities'.

*Other financial liabilities*

Other financial liabilities include the following items:

- 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. 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:

**1 Accounting policies** *(Continued)*

- 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.

**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. 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:

| | | |
|---|---|---|
| Plant and machinery | - | 20% per annum straight line |
| Fixtures and Fittings | - | 10% per annum straight line |
| Computer equipment | - | 33% per annum straight line |
| Motor vehicles | - | 25% 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 sales prices. Detailed explanations of the methods employed to value the vines are described in note 12 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 late September or October. The costs of growing the grapes including harvest costs are initially allocated into the cost of inventory and at the point of harvest a fair value adjustment is made so that the cost per tonne is adjusted to fair value. 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.

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

## 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 year relate to the valuation of biological assets. Biological assets are stated at fair value and the assumptions used are set out in note 12.

## 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.

### Liquidity risk

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

### 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.

### *Principal financial instruments*

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

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

## 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 cashflow on pages 9 to 13.

All operations are conducted in the United Kingdom.

## 5 Expenses by nature

| | 2013<br>£'000 | 2012<br>£'000 |
|---|---|---|
| Staff costs (see note 7) | **99** | - |
| Depreciation of property, plant and equipment (incl. impairment) | **18** | 8 |
| Legal and professional costs | **420** | 126 |
| Other administration costs | **74** | 9 |
| **Total cost of sales, administrative expenses, distribution expenses and other operating expenses** | **611** | 143 |

## 6 Auditors remuneration

| | 2013<br>£'000 | 2012<br>£'000 |
|---|---|---|
| Fees payable to the Group's auditors | | |
| - Audit: consolidation | **11** | 11 |
| - Audit: parent | **5** | 5 |
| - Audit: subsidiaries | **5** | 4 |
| Other services: readmission document | **34** | - |
| | **55** | 20 |

## 7 Staff costs

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Staff costs (including directors) comprise: | | |
| Wages and salaries | **38** | n/a |
| Fees | **56** | n/a |
| Social security contributions and similar taxes | **5** | n/a |
| | **99** | n/a |

The 2012 comparatives reflect the fact that the board for Shellproof Limited which merged with Shellproof PLC on 24 October 2012 were not remunerated.

The average number of employees of the Group, including Directors, during the year was 3 (2012 – 3).

Director's remuneration was as follows:-

| | Salaries £'000 | Fees £'000 | 2013 £'000 | 2012 £'000 |
|---|---|---|---|---|
| Ben Walgate | 38 | 22 | **60** | - |
| Ian Robinson | - | 24 | **24** | - |
| Andrew Wilson | - | 10 | **10** | - |
| | 38 | 56 | **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. Fees payable to Ben Walgate were made in respect of consultancy services he provided up until 8th October 2012 when he was appointed Chief Executive of the Group.

The directors are considered to be key management.

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Key management personnel costs were as follows: | | |
| Short term employment benefits | **99** | n/a |
| | **99** | n/a |

## 8 Finance income and expense

**Recognised in profit or loss**

| Finance income | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Interest received on bank deposits | **156** | 152 |
| **Total finance income** | **156** | 152 |

## 9 Taxation

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| **Current tax expense** | | |
| Current tax on profits for the year | **-** | - |
| Total current tax | **-** | - |
| **Deferred tax expense** | | |
| Origination and reversal of temporary differences | **-** | - |
| | **-** | - |
| **Total tax expense** | **-** | - |

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| (Loss)/profit on ordinary activities before tax | **(454)** | 9 |
| (Loss)/profit on ordinary activities at the standard rate of corporation tax in the UK for the period of 24% (2012: 0%) | **(109)** | - |
| Effects of: | | |
| Tax losses carried forward | **109** | - |
| **Tax charge for the year** | **-** | - |

The change in the tax rate applied compared to the previous year reflects the fact that the Group was not a UK entity in the prior year and therefore was not subject to UK tax.

No deferred tax asset has been recognised on unutilised taxable losses due to the lack of certainty that taxable profits will be available against which deductible temporary differences can be utilised. The unutilised tax loss carried forward are £235,000 (2012: nil)

## 10 (Loss)/Earnings per share

Basic earnings per ordinary share are based on an equity loss of £454,000 (2012: £9,000) and 8,000,003 (2012: 8,000,002) ordinary shares of 50 pence each, being the weighted average number of shares in issue during the year. There is no adjustment to be made for diluted earnings per ordinary share.

| | (Loss)/ Earnings £'000 | Weighted average number of shares | Earnings per ordinary share – pence |
|---|---|---|---|
| Year ended 31 March 2013 | **(454)** | **8,000,003** | **(5.68)** |
| Year ended 31 March 2012 | 9 | 8,000,002 | 0.11 |

## 11 Property, plant and equipment

| | Freehold land £'000 | Plant, machinery and motor vehicles £'000 | Fixtures and fittings £'000 | Computer equipment £'000 | Total £'000 |
|---|---|---|---|---|---|
| *Cost or valuation* | | | | | |
| **Balance at 1 April 2011** | - | - | - | - | - |
| Additions | - | 76 | - | - | 76 |
| **Balance at 31 March 2012** | - | 76 | - | - | 76 |
| **Balance at 1 April 2012** | - | 76 | - | - | 76 |
| Additions | 222 | 32 | 40 | 3 | 297 |
| **Balance at 31 March 2013** | **222** | **108** | **40** | **3** | **373** |

# Shellproof PLC

**Notes forming part of the financial statements for the year ended 31 March 2013 (continued)**

**11 Property, plant and equipment** *(continued)*

| | Freehold land £'000 | Plant, Machinery and motor Vehicles £'000 | Fixtures And Fittings £'000 | Computer equipment £'000 | Total £'000 |
|---|---|---|---|---|---|
| ***Accumulated depreciation*** | | | | | |
| **Balance at 1 April 2011** | - | - | - | - | - |
| Depreciation charge for the year | - | 8 | - | - | 8 |
| **Balance at 31 March 2012** | - | 8 | - | - | 8 |
| **Balance at 1 April 2012** | - | 8 | - | - | 8 |
| Depreciation charge for the year | - | 17 | - | 1 | 18 |
| **Balance at 31 March 2013** | - | 25 | - | 1 | 26 |
| **Net book value** | | | | | |
| At 31 March 2012 | - | 68 | - | - | 68 |
| **At 31 March 2013** | **222** | **83** | **40** | **2** | **347** |

## 12 Biological assets

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

| | Vines £'000 |
|---|---|
| At 1 April 2012 | - |
| Additions | 153 |
| Change in fair value | 1 |
| At 31 March 2013 | **154** |

***Vines:***

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 will be used in the production of the Estate's own wines.

The total area of vines at 31 March 2013 amounted to approximately 7.7 acres (2012 – nil) of which approximately 7.7 acres (2012 – nil) can be classified as mature (i.e. four and a half years after planting). The average peak productive life of grape vines is estimated to be 25 years.

There were no grapes harvested during the current financial year.

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% (2012 - n/a). The net cash flows were calculated with reference to grape varieties, expected yields, estimated future sales prices and estimated future production costs based on anticipated costs and third party sale prices achieved. Future prices are adjusted for inflation.

A 10% increase in the discount rate will result in a decrease in fair value of the biological assets by £13,000. In addition cashflows are projected over a number of years and based on estimated harvest yields. Changes in the estimates could materially impact estimates of future cashflows used in the assessment of the fair values.

Planting expenditure is carried forward at cost in the statement of financial position until the vines reach maturity, at which point they are re-measured at fair value.

## 13 Subsidiaries

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

| Name | Country of incorporation | Proportion of ownership interest at 31 March 2013 | 2012 |
|---|---|---|---|
| Shellproof Wines Limited | England and Wales | 100% | 100% |

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

## 14 Inventories

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Work-in-progress | **137** | 84 |
| | **137** | 84 |

## 15 Trade and other receivables

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Prepayments | **156** | 19 |
| Other receivables | **139** | 1 |
| **Total trade and other receivables** | **295** | 20 |

## 16 Trade and other payables

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Trade payables | **160** | - |
| Accruals | **31** | 24 |
| **Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost** | **191** | 24 |
| Other payables - tax and social security payments | **3** | - |
| Total trade and other payables | **194** | 24 |

Book values are approximate to fair value at 31 March 2013 and 2012.

## 17 Redeemable preference shares

| | Issued and fully paid 2013 Number | 2013 £'000 | 2012 Number | 2012 £'000 |
|---|---|---|---|---|
| ***Redeemable preference shares of 50p each*** | | | | |
| At 1 April | **-** | **-** | - | - |
| Issued during the year | **99,999** | **50** | - | - |
| At 31 March | **99,999** | **50** | - | - |

On 24 September 2012 Shellproof PLC issued 99,999 redeemable preference shares of fifty pence each. The shares are redeemable at the option of the Directors of the Company or the holder of the redeemable preference shares.

## 18 Share capital

| | Issued and fully paid 2013 Number | 2013 £'000 | 2012 Number | 2012 £'000 |
|---|---|---|---|---|
| ***Ordinary shares of 50p each*** | | | | |
| At 1 April | **8,000,002** | **4,000** | 8,000,002 | 4,000 |
| Other issues for cash during the year | **1** | **-** | - | - |
| At 31 March | **8,000,003** | **4,000** | 8,000,002 | 4,000 |

The share capital of £4,000,000 shown in 2012 relates to the share capital of Shellproof Limited. On 24 October 2012 the shareholders of Shellproof Limited exchanged their 50 pence ordinary shares in that company for the same number of 50 pence ordinary shares in Shellproof Plc.

## 19 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. |
| Retained earnings | The retained earnings represent cumulative net gains and losses recognised in the Group's statement of consolidated income. |

## 20 Related party transactions

At 31 March 2013 £3,009,000 (2012 - £4,123,000) 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 24 September 2012 Shellproof PLC issued 99,999 redeemable preference shares of fifty pence each to Lord Ashcroft KCMG PC. The amount of £50,000 in relation to these redeemable preference shares is also shown in other receivables. The preference shares will be redeemed, and the receivable paid, following the placing referred to in note 21.

Anne Street Partners Limited is considered a related party by virtue of the fact that Ian Robinson, a director of Shellproof PLC, is also a director of Anne Street Partners Limited. During the year Anne Street Partners Limited charged the Company £83,769 (2012 - nil) in relation to directors fees £33,769 (2012 - nil) and management services £50,000 (2012 - nil). At 31 March 2013 an amount of £60,000 inclusive of VAT (2012 – nil) was due to Anne Street Partners Limited and is shown within trade and other payables.

## 21 Post balance sheet events

On the 3 September 2013 the Group announced the acquisition of the Gusbourne Estates Business, a placing to raise £2.85m and re-admission to AIM. Further details of the acquisition can be found in the Admission document on the Group's website, www.shellproofplc.com.

**Shellproof PLC**

**Parent company financial statements**

# Shellproof PLC

**08225727**
**Company balance sheet at 31 March 2013**

| | Note | 2013 £'000 |
|---|---|---|
| **Fixed Assets** | | |
| Investments | 4 | **-** |
| | | **-** |
| **Current assets** | | |
| Debtors | 5 | **1,215** |
| Cash at bank and in hand | | **3,010** |
| | | **4,225** |
| Creditors: amounts due within one year | 6 | **167** |
| **Net assets** | | **4,058** |
| Capital and reserves | | |
| Called up share capital | 7 | **4,000** |
| Share premium | | **266** |
| Profit and loss account | 8 | **(208)** |
| **Shareholders' funds** | | **4,058** |

The financial statements were approved and authorised for issue by the Board on 3 September 2013 and were signed on its behalf by Ian Robinson.

Ian Robinson

**Secretary and Non-Executive Chairman**

The notes of pages 33 to 35 form part of these financial statements

# Shellproof PLC

**Notes forming part of the company financial statements**
**for the period 31 March 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 3.

The aggregate payroll costs of these persons were as follows:

| | 2013 £'000 |
|---|---|
| Wages and salaries | 38 |
| Fees | 34 |
| Social security contributions and similar taxes | 5 |
| | 77 |

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

## 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 £208,000 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 March 2013 |
|---|---|---|
| Shellproof Wines Limited | England and Wales | **100%** |

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

## 5 Debtors

| | 2013 £'000 |
|---|---|
| Amounts due from Group undertakings | 1,048 |
| Other debtors | 96 |
| Prepayments and accrued income | 71 |
| | 1,215 |

## 6 Creditors: amounts due within one year

| | 2013 £'000 |
|---|---|
| Trade creditors | 90 |
| Other creditors | 3 |
| Accruals and deferred income | 24 |
| Redeemable preference shares | 50 |
| | 167 |

## 7 Share Capital

Details of the share capital of the Company are included in note 18 to the consolidated financial statements.

## 8 Reconciliation of movements in shareholders' funds

| | 2013 £'000 |
|---|---|
| Loss for the period | (208) |
| Issue of shares | 4,000 |
| Premium on shares issued | 266 |
| | 4,058 |
| Opening shareholder funds | - |
| Closing shareholder funds | 4,058 |

## 9 Capital and reserves

| | 2013 | | | |
|---|---|---|---|---|
| | Share capital £'000 | Share premium £'000 | Retained earnings £'000 | Total £'000 |
| Issue of ordinary share capital | 4,000 | 266 | - | 4,266 |
| Retained earnings during the period | - | - | (208) | (208) |
| At 31 March 2013 | 4,000 | 266 | (208) | 4,058 |

## 10 Ultimate controlling party

In the opinion of the Directors the ultimate controlling party at 31 March 2013 and as of 3 September 2013 is Lord Ashcroft KCMG PC.

## 11 Related party transactions

Details of the related party transactions of the Company are included in note 20 to the consolidated financial statements.