Gusbourne Plc

(the “Company”)

Half Yearly Report

Gusbourne Plc, the English sparkling wine producer, today announces its unaudited interim results for the six months ended 30 June 2015.

Highlights

- Construction of new winery building underway to provide increased winemaking capacity to cater for increasing production;
- Awarded two Gold Outstanding medals from the International Wine and Spirit Competition for Gusbourne Blanc de Blancs 2010 and Gusbourne Blanc de Blancs 2007 Late Disgorged in May 2015. A further four gold medals were awarded to Gusbourne wines in other major international competitions during the period;
- An additional 76 acres of vineyards planted in May 2015 which, together with the Group’s existing vineyards in Kent and West Sussex, bring the total acreage under vine to 232 acres; and
- Net loss for the period of £726,000 (H1 2014 - £501,000) in line with expectations and the Company’s long term development plan.

Ben Walgate, CEO, commented:

“*I am delighted with the continued progress of the Company in line with our long term development plan, including operational expansion and the continued development of the Gusbourne brand.*

In May this year we were honoured with the award of two ‘Gold Outstanding’ medals by the International Wine and Spirit Competition (“IWSC”). In addition we were also awarded one gold and three silver medals by the IWSC. A further four gold medals were awarded at other prestigious international competitions (Decanter World Wine Awards, International Wine Competition and The Champagne and Sparkling Wine World Championships), which means that 2015 has been our most successful year to date at international wine competitions.

Our plans for further vineyard expansion were implemented in May this year with the planting of a further 76 acres of vineyards. The bottling of the 2014 harvest, in April, has added considerably to our stocks for sale in future years.

The production of premium quality wine from new vineyards is, by its very nature, a long-term proposition. With the rigorous standards that we employ it is an eight year cycle from planting a vine to selling the finished product.

I would like to take this opportunity to thank our customers, our dedicated and passionate staff and our supportive shareholders, all of whom make it possible for us to continue producing some of the world’s finest sparkling wines.”

Financials

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 both Kent and West Sussex in 2013, 2014 and 2015.

Results for the six months ended 30 June 2015

Sales for the period amounted to £190,000 (H1 2014 - £194,000). These sales, which are broadly unchanged from the comparative period in 2014, reflect the limited stock availability of earlier year vintages. Cost of sales remains higher than the Group’s anticipated longer term run rates. This is due to the continuing impact of fair valuing initial stocks of wine which were acquired as part of the acquisition of the Gusbourne Estate business in September 2013. This impact will diminish over time. Gross profit in the period was £61,000 (H1 2014 - £26,000). The increase is largely due to a reduced cost of sales as a result of the diminishing impact of the fair value stocks acquired in September 2013. Gross profit margin in the period was 32% (H1 2014 – 13 %). This margin is expected to continue to increase over time as a result of economies of scale arising from increased production. Administrative expenses for the period of £574,000 (H1 2014 - £450,000) reflect continuing investment in the development and growth of the business and the Gusbourne brand in particular. The operating loss for the period was £513,000 (H1 2014 - £424,000). The exceptional item of £115,000 reflects a charge to the income statement in respect of the amendment to the terms of the Convertible Bonds on 27 May 2015. This charge is a non-cash adjustment and does not affect the net assets of the Group as the corresponding entry is a credit to retained earnings. The loss before tax was £726,000 (H1 2014 - £516,000) after net finance costs of £98,000 (H1 2014 – £92,000). These planned losses continue to be in line with expectations and the long-term development strategy of the Group.

Balance Sheet

The changes in the Group's balance sheet during the period to 30 June 2015 reflect the ongoing investment in, and development of, the Group's business, net of income from wine sales. This includes the investment in additional vineyards planted in Kent and West Sussex in May 2015 and includes the ongoing investment in the vineyards established in West Sussex and Kent during 2013 and 2014. This investment in vineyards is reflected in capital expenditure of £565,000 (H1 2014 - £345,000).

In addition the Group invested in additional plant and equipment for the vineyards and the winery amounting to £436,000 (H1 2014 - £62,000). Total assets at 30 June 2015 of £14,258,000 (H1 2014 - £11,057,000) include freehold land and buildings of £4,615,000 (H1 2014 - £4,596,000), inventories of wine stocks amounting to £1,473,000 (H1 2014 - £1,260,000), £1,391,000 of biological assets (H1 2014 - £1,413,000) and £2,885,000 of cash (H1 2014 - £1,074,000). Intangible assets of £1,007,000 (H1 2014 - £1,007,000) arise from the acquisition of the Gusbourne Estate business on 27 September 2013. 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. 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 30 June 2015 amount to £8,778,000 (H1 2014 - £5,623,000) and represent 90% of total equity (H1 2014 – 85%).

Financing

The Group's activities are financed by its own cash resources, loans, other borrowings and convertible bonds. Loans, other borrowings and convertible bonds at 30 June 2015 amount in total to £3,679,000 (H1 2014 - £3,792,000) and represent 38% of total equity (H1 2014 – 57%).

On 17 June 2015, the Company completed an open offer to existing shareholders. The total consideration was £2,525,000 of which gross cash received by the Company was £2,136,000. The Company also benefited from a reduction of £389,000 in the debt of due under the Convertible Bond.

Post period end, on 30 July 2015, the Company completed a placing of ordinary shares for cash proceeds of £368,000.

The cash proceeds of the Open Offer and Placing will be used for the ongoing investment in new vineyards planted in 2015, an expansion of the winery capacity and for working capital, represented primarily by the Group's sparkling wine stocks.

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2015

	Note	Unaudited Six months to 30 June 2015 £'000	Unaudited Six months to 30 June 2014 £'000	Audited Year ended 31 December 2014 £'000
Revenue		190	194	434
Cost of sales		(129)	(168)	(361)
Gross profit		**61**	**26**	**73**
Change in fair value of biological assets	5	-	-	(74)
Administrative expenses		(574)	(450)	(918)
Total administrative expenses		(574)	(450)	(918)
Loss from operations		**(513)**	**(424)**	**(919)**
Exceptional item		(115)	-	-
Finance income	2	15	15	38
Finance expense	2	(113)	(107)	(223)
Loss before tax		**(726)**	**(516)**	**(1,104)**
Tax expense		**-**	15	60
Loss for the period attributable to owners of the parent		**(726)**	**(501)**	**(1,044)**
Loss per share attributable to the ordinary equity holders of the parent:				
Basic		**(3.98p)**	(3.29p)	(6.70p)
Diluted		**(3.98p)**	(3.29p)	(6.70p)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2015

	Notes	Unaudited 30 June 2015 £'000	Unaudited 30 June 2014 £'000	Audited 31 December 2014 £'000
Assets				
Non-current assets				
Intangibles	3	**1,007**	1,007	1,007
Property, plant and equipment	4	**7,229**	6,071	6,339
Biological assets	5	**1,391**	1,413	1,237
		9,627	**8,491**	**8,583**
Current assets				
Inventories	6	**1,473**	1,260	1,435
Trade and other receivables		**273**	232	213
Cash and cash equivalents		**2,885**	1,074	1,842
		4,631	**2,566**	**3,490**
Total assets		**14,258**	**11,057**	**12,073**
Liabilities				
Current liabilities				
Trade and other payables		**(794)**	(590)	(336)
Loans and borrowings	7	**(29)**	-	-
		(823)	**(590)**	**(336)**
Non-current liabilities				
Loans and borrowings	7	**(2,126)**	(2,025)	(2,025)
Convertible deep discount bonds	8	**(1,524)**	(1,767)	(1,841)
Deferred tax liabilities		**-**	(45)	-
		(3,650)	**(3,837)**	**(3,866)**
Total liabilities		**(4,473)**	**(4,427)**	**(4,202)**
NET ASSETS		**9,785**	**6,630**	**7,871**
Issued capital and reserves attributable to owners of the parent				
Share capital	9	**11,452**	7,612	8,927
Share premium		**815**	346	815
Merger reserve		**(13)**	(13)	(13)
Convertible bond reserve		**95**	95	95
Retained earnings		**(2,564)**	(1,410)	(1,953)
TOTAL EQUITY		**9,785**	**6,630**	**7,871**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2015

	Unaudited Six months to 30 June 2015 £'000	Unaudited Six months to 30 June 2014 £'000	Audited Period to 31 December 2014 £'000
Cashflows from operating activities			
Loss for the year/period before tax	**(726)**	(516)	(1,104)
Adjustments for:			
Exceptional item	**115**	-	-
Depreciation of property, plant and equipment	**96**	60	130
Profit on disposal of property, plant and equipment	**-**	-	(4)
Finance expense	**113**	107	223
Finance income	**(15)**	(15)	(38)
Movement in biological assets	**(154)**	(173)	74
Decrease/(increase) in trade and other receivables	**(60)**	19	38
Decrease/(increase) in inventories	**(38)**	50	(195)
Increase in trade and other payables	**458**	266	12
Cash outflow from operations	**(211)**	(202)	(864)
Income taxes paid	**-**	-	-
Net cash out flows from operating activities	**(211)**	(202)	(864)
Investing activities			
Purchases of property, plant and equipment, excluding vineyard establishment	**(436)**	(62)	(159)
Investment in vineyard establishment	**(565)**	(345)	(588)
Sale of property, plant and equipment	**15**	-	5
Interest received	**12**	15	33
Net cash from investing activities	**(974)**	(392)	(709)
Financing activities			
Hire purchase finance	**137**	-	-
Hire purchase repayments	**(7)**	-	-
Interest paid	**(38)**	(35)	(72)
Issue of ordinary shares	**2,136**	-	1,788
Share issue expenses	**-**	-	(4)
Net cash from financing activities	**2,228**	(35)	1,712

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the six months ended 30 June 2015

	Unaudited Six months to 30 June 2015 £'000	Unaudited Six months to 30 June 2014 £'000	Audited Period to 31 December 2014 £'000
Net increase/(decrease) in cash and cash equivalents	**1,043**	(629)	139
Cash and cash equivalents at beginning of period	**1,842**	1,703	1,703
Cash and cash equivalents at end of period	**2,885**	1,074	1,842

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2015

Audited:	Share capital £'000	Share premium £'000	Merger reserve £'000	Convertible bond reserve £'000	Retained earnings £'000	Total attributable to equity holders of parent £'000
31 December 2013	**7,612**	**346**	**(13)**	**95**	**(909)**	**7,131**
Shares issued	1,315	469	-	-		1,784
Comprehensive loss for the period		-	-	-	(1,044)	(1,044)
31 December 2014	**8,927**	**815**	**(13)**	**95**	**(1,953)**	**7,871**

Unaudited:	Share capital £'000	Share premium £'000	Merger reserve £'000	Convertible bond reserve £'000	Retained earnings £'000	Total attributable to equity holders of parent £'000
31 December 2014	**8,927**	**815**	**(13)**	**95**	**(1,953)**	**7,871**
Share issue	2,525	-		-		2,525
Shares issued on conversion of Bond					115	115
Comprehensive loss for the period		-		-	(726)	(726)
30 June 2015	**11,452**	**815**	**(13)**	**95**	**(2,564)**	**9,785**

NOTES TO THE ACCOUNTS
For the six months ended 30 June 2015

1 Statement of accounting policies

Basis of preparation

The interim financial statements have been prepared in accordance International Financial Reporting Standards (IFRSs) as adopted by the EU, applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the period ended 31 December 2014 and are consistent with the accounting policies expected to apply in its financial statements for the year ended 31 December 2015.

The financial information for the six months ended 30 June 2015 has not been subject to an audit nor a review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Auditing Practices Board. The comparative financial information presented herein for the period ended 31 December 2014 does not constitute full statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Group's annual report and accounts for the period ended 31 December 2014 have been delivered to the Registrar of Companies. The Group's independent auditor's report was unqualified and did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006.

The Board of the Company continually assesses and monitors the key risks of the business. These risks have not significantly changed from those set out in the Company's Annual Report for the period ended 31 December 2014. The Board has reviewed forecasts and remains satisfied with the Company's funding and liquidity position. On the basis of its forecast and available facilities and cash balances held on the balance sheet, the Board has concluded that the going concern basis of preparation continues to be appropriate.

2 Finance income and expenses

	Unaudited 30 June 2015 £'000	**Unaudited 30 June 2014 £'000**	**Audited 31 December 2014 £'000**
Finance income			
Amortisation of bank loan incentive	**7**	-	14
Interest received on bank deposits	**8**	15	24
Total finance income	**15**	15	38
Finance expense			
Interest payable on borrowings	**38**	35	72
Amortisation of bank transaction costs	**3**	-	5
Convertible deep discount bond charge	**72**	72	146
Total finance expense	**113**	107	223

3 Intangibles

	Unaudited 30 June 2015 £'000	Unaudited 30 June 2014 £'000	Audited 31 December 2014 £'000
Goodwill	**777**	777	777
Brand	**230**	230	230
	1,007	1,007	1,007

4 Property, plant and equipment

	Freehold Land and Buildings	Plant, machinery and motor vehicles	Vineyard establishment	Computer equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2014	4,610	686	458	19	5,773
Additions	14	137	588	8	747
Disposals	-	(1)	-	-	(1)
At 31 December 2014	**4,624**	**822**	**1,046**	**27**	**6,519**
At 1 January 2015	4,624	822	1,046	27	6,519
Additions	56	371	565	9	1,001
Disposals	-	(15)	-	-	(15)
At 30 June 2015	**4,680**	**1,178**	**1,611**	**36**	**7,505**

Accumulated depreciation

At 1 January 2014	**9**	**39**	**-**	**2**	**50**
Depreciation charge for the year	**37**	**85**	**-**	**8**	**130**
Depreciation on disposals	**-**	**-**	**-**	**-**	**-**
At 31 December 2014	**46**	**124**	**-**	**10**	**180**
At 1 January 2015	**46**	**124**	**-**	**10**	**180**
Depreciation charge for the year	**19**	**73**	**-**	**4**	**96**
Depreciation on disposals	**-**	**-**	**-**	**-**	**-**
At 30 June 2015	**65**	**197**	**-**	**14**	**276**
Net book value					
At 31 December 2014	**4,578**	**698**	**1,046**	**17**	**6,339**
At 30 June 2015	**4,615**	**981**	**1,611**	**22**	**7,229**

Vineyard establishment expenditure includes planting expenditure in relation to vineyards which is carried forward at cost until the vines reach maturity at which point they are re-measured and transferred to biological assets.

5 Biological assets

	Vines £'000
At 1 January 2014	1,240
Fair value of grapes harvested and transferred to inventory	(210)
Crop growing costs	281
Change in fair value due to price, yield and maturity	(74)
At 31 December 2014	**1,237**
Crop growing costs	154
At 30 June 2015	**1,391**

6 Inventories

	Unaudited 30 June 2015 £'000	Unaudited 30 June 2014 £'000	Audited 31 December 2014 £'000
Finished goods	**98**	100	126
Work in progress	**1,375**	1,160	1,309
	1,473	1,260	1,435

7 Loans and borrowings

	Unaudited 30 June 2015 £'000	Unaudited 30 June 2014 £'000	Audited 31 December 2014 £'000
Bank loan	**2,025**	2,025	2,025
Hire purchase (all payable within 1- 5 years)	**101**	-	-
	2,126	2,025	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.

Hire purchase balances of £29,000 payable within one year are shown within loans and borrowing under current liabilities.

8 Convertible bonds

	£'000
Present value of debt element at 1 January 2015	1,841
Discount expense for the period	72
Converted into shares during the period	(389)
Present value of debt element at 30 June 2015	1,524
Equity element at 1 January and 30 June 2015	95
Total carrying value at 30 June 2015	**1,619**

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 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. On 27 May 2015 the Company, Mr A C V Weeber and Mrs C Weeber entered into a variation of the Bond. The variation of the Bond allows for the conversion to take place as part of an Open Offer of Gusbourne PLC at the issue price of that Open Offer. On 17 June 2015, as part of the Open Offer announced by the Company on 28 May 2015, £339,846 of the Bonds plus accrued discount of £49,043 were converted into 777,778 50 pence ordinary shares at a price of 50 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.

9 Share Capital

Ordinary shares of 50p each		
Issued and fully paid	**Number**	**£'000**
At 1 January 2015	**17,853,276**	**8,927**
Issued for cash during the period	4,272,960	2,136
Bond converted into shares during the period	777,778	389
At 30 June 2015	**22,904,014**	**11,452**

On 17 June 2015, by way of an Open Offer announced by the Company on 28 May 2015, the Company issued 5,050,738 50 pence ordinary shares at a price of 50 pence per share.