Gusbourne Plc

("Gusbourne" or 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 2016.

Highlights

- Revenue growth of 40% to £266,000 (2015: £190,000)
- Gross profit growth of 54% to £94,000 (2015: £61,000)
- Continued success in major international wine competitions including two Platinum Medals at the Decanter World Wine Awards and two Gold Medals at the 2016 Sommelier Wine Awards
- Appointment of renowned United States based specialist wine importer, Broadbent Selections, as the Company's agent in the US with the first limited consignment of wine dispatched to the US in July 2016

Andrew Weeber, Chairman, commented:

"I am delighted with the progress the Company continues to make in line with our long-term development plans. Our increasing revenues, which remain limited to stock availability, reflects both the expansion of wine production as well as increasing customer demand for our award winning sparkling wines.

I am particularly proud of the Gusbourne management team who combine their professionally qualified skills with passion and enthusiasm to produce and deliver the highest quality Gusbourne wines to our growing customer base. I would like to thank both our customers and staff for their continued support."

Financials

Results for the six months ended 30 June 2016

Sales for the period amounted to £266,000 (2015: £190,000). Whilst these sales reflect an increase of 40% compared to the prior period in 2015, they continue to reflect limited stock availability of earlier year vintages. Administrative expenses of £678,000 (2015: £598,000) includes depreciation of £164,000 (2015: £121,000) and the continuing investment in the development and growth of the business, particularly the Gusbourne brand.

The operating loss for the period was £600,000 (2015: £546,000). The loss before tax was £696,000 (2015: £759,000) after net finance costs (excluding exceptional items) of £96,000 (2015: £98,000).

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 year reflect expenditure on the ongoing investment in, and development of, the Group's business, net of income from wine sales. This expenditure includes the ongoing investment in the vineyards established in West Sussex and Kent between 2013 and 2015. This investment in vineyards is reflected in capital expenditure during the period of £124,000 (2015: £565,000).

In addition, the Group invested in additional plant and equipment for the vineyards and the winery during the period amounting to £198,000 (2015: £380,000) and in buildings of £372,000 (2015: £56,000). Total assets at 30 June 2016 of £13,402,000 (2015: £14,178,000) include freehold land and buildings of £5,538,000 (2015: £4,615,000), vineyards of £3,130,000 (2015: £2,776,000), inventories of wine stocks amounting to £1,764,000 (2015: £1,473,000), and £336,000 of cash (2015: £2,885,000). Intangible assets of £1,007,000 (2015: £1,007,000) arose on the acquisition of the Gusbourne Estate business on 27 September 2013.

An important aspect of the Group's balance sheet is the increasing investment in the assets of the business. In particular, 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, which is not reflected in these accounts, will become an increasingly significant factor of the Group's asset base.

Awards

Gusbourne continues to enjoy success in major international wine competitions. In May 2016 Gusbourne was awarded two Platinum Medals at the Decanter World Wine Awards ("DWWA") 2016. The wines recognised by the DWWA tasting panel were Gusbourne Blanc de Blancs 2011, which won the trophy for the Best English Sparkling Wine, and Gusbourne Pinot Noir 2014, which won the trophy for the Best English Red Wine. In April 2016, Gusbourne Blanc de Blancs 2011 and Gusbourne Brut Reserve 2011 also won Gold Medals at the 2016 Sommelier Wine Awards

Financing

The Group's activities are financed by shareholders' equity, loans, other borrowings and convertible bonds. Loans, other borrowings and convertible bonds at 30 June 2016 amount in total to £3,973,000 (2015: £3,679,000) and represent 46% of total equity (2015: 38%).

On 20 July 2016, the Company announced its intention to place 5 year Secured Deep Discount Bonds at a discount of 9% per annum ("Bonds"). The Company also announced that it would issue share warrants ("Warrants") to Bond holders at the rate of one Warrant for every £2 of the Bonds. Each Warrant will, upon exercise, entitle the holder to subscribe for one new ordinary share in the Company at an exercise price of 75 pence per share. On 1 September 2016 the Company announced that it had received applications from investors to subscribe for Bonds totalling £4,073,034 and that all of these applications had been accepted in full. Following the repayment of the existing convertible bonds held by Andrew Weeber and his wife, the net cash proceeds received by the Company amounted to approximately £2,318,000. The net cash proceeds will be used for working capital, ongoing investment of the Gusbourne brand, and capital expenditure in line with the Company's long-term strategy to further expand productions and sales of its international award winning English sparkling wines.

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.

For further information contact:

Gusbourne Plc

Andrew Weeber	+44 (0)1233 758 666

Cenkos Securities plc

Nicholas Wells	+44 (0)20 7397 8920

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

Note to Editors

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2016

	Note	Unaudited Six months to 30 June 2016 £'000	Unaudited As restated Six months to 30 June 2015 £'000	Audited Year ended 31 December 2015 £'000
Revenue		266	190	473
Cost of sales		(172)	(129)	(325)
Gross profit		**94**	**61**	**148**
Fair value movement in biological assets	6	(16)	(9)	(95)
Administrative expenses		(678)	(598)	(1,176)
Loss from operations		**(600)**	**(546)**	**(1,123)**
Finance income	3	**7**	15	22
Finance expense		**(103)**	(113)	(210)
Exceptional items		**-**	(115)	(115)
Total finance expenses	3	**(103)**	(228)	(325)
Loss before tax		**(696)**	**(759)**	**(1,426)**
Tax expense		**-**	-	-
Loss for the period attributable to owners of the parent		**(696)**	**(759)**	**(1,426)**
Loss per share attributable to the ordinary equity holders of the parent:				
Basic		(2.94p)	(4.16p)	(6.83p)
Diluted		(2.94p)	(4.16p)	(6.83p)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2016

	Notes	Unaudited 30 June 2016 £'000	Unaudited As restated 30 June 2015 £'000	Audited 31 December 2015 £'000
Assets				
Non-current assets				
Intangibles	4	**1,007**	1,007	1,007
Property, plant and equipment	5	**9,701**	8,394	9,171
		10,708	**9,401**	**10,178**
Current assets				
Biological assets	6	**242**	146	-
Inventories	7	**1,764**	1,473	1,711
Trade and other receivables		**352**	273	264
Cash and cash equivalents		**336**	2,885	1,328
		2,694	**4,777**	**3,303**
Total assets		**13,402**	**14,178**	**13,481**
Liabilities				
Current liabilities				
Trade and other payables		**(765)**	(794)	(169)
Finance leases		**(41)**	-	(41)
Loans and borrowings	8	**(34)**	(29)	(34)
		(840)	**(823)**	**(244)**
Non-current liabilities				
Loans and borrowings	8	**(2,144)**	(2,025)	(2,161)
Finance leases		**(113)**	(101)	(133)
Convertible deep discount bonds	9	**(1,641)**	(1,524)	(1,583)
		(3,898)	**(3,650)**	**(3,877)**
Total liabilities		**(4,738)**	**(4,473)**	**(4,121)**
NET ASSETS		**8,664**	**9,705**	**9,360**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
At 30 June 2016

Issued capital and reserves attributable to owners of the parent			
Share capital	**11,820**	11,452	11,820
Share premium	**815**	815	815
Merger reserve	**(13)**	(13)	(13)
Convertible bond reserve	**95**	95	95
Retained earnings	**(4,053)**	(2,644)	(3,357)
TOTAL EQUITY	**8,664**	**9,705**	**9,360**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2016

	Unaudited Six months to 30 June 2016 £'000	As restated Unaudited Six months to 30 June 2015 £'000	Audited Year ended 31 December 2015 £'000
Cashflows from operating activities			
Loss for the year/period before tax	**(696)**	(759)	(1,426)
Adjustments for:			
Depreciation of property, plant and equipment	**164**	121	267
Finance expense	**103**	228	325
Finance income	**(7)**	(15)	(22)
Movement in biological assets	**(242)**	(146)	95
Increase in trade and other receivables	**(91)**	(60)	(56)
Increase in inventories	**(53)**	(38)	(371)
Increase/(decrease) in trade and other payables	**603**	458	(137)
Cash outflow from operations	**(219)**	(211)	(1,325)
Investing activities			
Purchases of property, plant and equipment, excluding vineyard establishment	**(570)**	(436)	(1,137)
Investment in vineyard establishment	**(124)**	(565)	(786)
Sale of property, plant and equipment	**-**	15	14
Interest received	**-**	12	9
Net cash from investing activities	**(694)**	(974)	(1,900)
Financing activities			
Drawdown of bank loan	**-**	-	170
Repayment of bank loan	**(17)**	-	-
Finance lease agreements	**-**	137	181
Repayment of finance leases	**(20)**	(7)	(24)
Interest paid	**(42)**	(38)	(74)
Issue of ordinary shares	**-**	2,136	2,504
Share issue expenses	**-**	-	(46)
Net cash from financing activities	**(79)**	2,228	2,711

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the six months ended 30 June 2016

	Unaudited Six months to 30 June 2016 £'000	As restated Unaudited Six months to 30 June 2015 £'000	Audited Period to 31 December 2015 £'000
Net increase/(decrease) in cash and cash equivalents	**(992)**	1,043	(514)
Cash and cash equivalents at beginning of period	**1,328**	1,842	1,842
Cash and cash equivalents at end of period	**336**	2,885	1,328

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2016

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
As restated 31 December 2014	**8,927**	**815**	**(13)**	**95**	**(2,000)**	**7,824**
Shares issued	2,525	-	-	-	-	2,525
Shares issued on conversion of bond	-	-	-	-	115	115
Comprehensive loss for the period	-	-	-	-	(759)	(759)
As restated 30 June 2015	**11,452**	**815**	**(13)**	**95**	**(2,644)**	**9,705**
Shares issued	368	-	-	-	-	368
Share issue expenses					(46)	(46)
Comprehensive loss for the period	-	-	-	-	(667)	(667)
31 December 2015	**11,820**	**815**	**(13)**	**95**	**(3,357)**	**9,360**
Share issue	-	-	-	-	-	-
Comprehensive loss for the period	-	-	-	-	(696)	(696)
30 June 2016	**11,820**	**815**	**(13)**	**95**	**(4,053)**	**8,664**

NOTES TO THE ACCOUNTS
For the six months ended 30 June 2016

1 Statement of accounting policies

The interim financial statements have been prepared in accordance with the recognition and measurement principles as adopted by the EU, applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 December 2015 and are consistent with the accounting policies expected to apply in its financial statements for the year ended 31 December 2016.

The financial information for the six months ended 30 June 2016 has not been subject to an audit nor a review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Auditing Practices Board. The comparative financial information presented herein for the year ended 31 December 2015 does not constitute full statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Group's annual report and accounts for the year ended 31 December 2015 have been delivered to the Registrar of Companies. The Group's independent auditor's report was unqualified and did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006.

Basis of preparation

The Board of the Company continually assesses and monitors the key risks of the business. These risks have not significantly changed from those set out in the Company's Annual Report for the period ended 31 December 2015. The Board has reviewed forecasts and remains satisfied with the Company's funding and liquidity position. On the basis of its forecast and available facilities and cash balances held on the balance sheet, the Board has concluded that the going concern basis of preparation continues to be appropriate.

2 Loss from operations

Loss from operations has been arrived at after charging:

	Unaudited 30 June 2016 £'000	**Unaudited 30 June 2015 £'000**	**Audited 31 December 2015 £'000**
Depreciation of property, plant and equipment	164	121	267
Staff costs expensed to consolidated statement of income	127	107	232

3 Finance income and expenses

	Unaudited 30 June 2016 £'000	Unaudited 30 June 2015 £'000	Audited 31 December 2015 £'000
Finance income			
Amortisation of bank loan incentive	**7**	7	13
Interest received on bank deposits	**-**	8	9
Total finance income	**7**	15	22
Finance expense			
Interest payable on borrowings	**42**	38	74
Amortisation of bank transaction costs	**3**	3	5
Convertible deep discount bond charge	**58**	72	131
Exceptional item	**-**	115	115
Total finance expense	**103**	228	325

4 Intangibles

	Unaudited 30 June 2016 £'000	Unaudited 30 June 2015 £'000	Audited 31 December 2015 £'000
Goodwill	**777**	777	777
Brand	**230**	230	230
	1,007	1,007	1,007

5 Property, plant and equipment

	Unaudited 30 June 2016 £'000	Restated Unaudited 30 June 2015 £'000	Audited 31 December 2015 £'000
Freehold land and buildings	**5,538**	4,615	5,198
Plant, machinery and motor vehicles	**1,077**	981	982
Vineyard establishment	**1,956**	1,611	1,832
Mature vineyards	**1,116**	1,165	1,140
Computer equipment	**14**	22	17
	9,701	8,394	9,171

Following the early adoption of "Agriculture: Bearer Plants: Amendments to IAS 16 and IAS 41" in the statutory accounts for the year ended 31 December 2015, the Group's grape vines are no longer classified as biological assets. Accordingly, the vines have been transferred to plant, property and equipment as at 1 January

2014 at a deemed cost of £1,240,000. The comparative figures for the six months ended 30 June 2015 have been restated to reflect this change in policy resulting in a net charge to the consolidated statement of comprehensive income of £25,000 representing depreciation for the 6 months to June 2015.

6 Biological assets

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

	Unaudited 30 June 2016 £'000	**Unaudited 30 June 2015 £'000**	**Audited 31 December 2015 £'000**
Crop growing costs	**258**	155	384
Fair value of grapes harvested and transferred to inventories	**-**	-	(289)
Fair value movement in biological assets	**(16)**	(9)	(95)
Fair value of biological assets at the reporting date	**242**	146	-

The fair value of biological assets at the reporting date is determined by reference to estimated market prices less costs to sell. The estimated market price for grapes used in respect of 2016 is £2,000 (2015: £2,000) per tonne. The fair value is subject to a discount factor of 50% due to the grapes, as at the reporting date, being approximately 3 months away from being ready for harvest.

A 10% increase in the estimated market price of grapes to £2,200 per tonne would result in an increase of £24,000 in the fair value of biological assets at the reporting date. A 10% decrease in the estimated market price of grapes to £1,800 per tonne would result in a decrease of £24,000 fair value of biological asset (at the reporting date in the fair value of the grapes harvested in the year.

7 Inventories

	Unaudited 30 June 2016 £'000	**Unaudited 30 June 2015 £'000**	**Audited 31 December 2015 £'000**
Finished goods	**157**	98	130
Work in progress	**1,607**	1,375	1,581
	1,764	1,473	1,711

8 Loans, borrowings and finance leases

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.

Other bank loans outstanding as at 30 June 2016 of £160,000 are at a fixed interest rate of 6% secured against certain items of plant and equipment. This loan is repayable via monthly instalments over 5 years.

9 Convertible bonds

	£'000
Present value of debt element at 1 January 2016	1,583
Discount expense for the period	58
Fair value of debt element at 30 June 2016	1,641
Equity element at 1 January and 30 June 2016	95
Total carrying value at 30 June 2016	**1,736**

Convertible bonds represent the debt element of a deep discount convertible 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 shares at the Issue Price of the Open Offer. On 17 June 2015, as part of the Open Offer announced by the Company on 28 May 2015, £388,889 of the Bonds were converted into 777,778 50 pence ordinary shares at a price of 50 pence per share.

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.

10 Post balance sheet events

On 20 July 2016, the Company announced its intention to place 5 year Secured Deep Discount Bonds at a discount of 9% per annum ("Bonds"). The Company also announced that it would issue share warrants ("Warrants") to Bond holders at the rate of one Warrant for every £2 of the Bonds. Each Warrant will, upon exercise, entitle the holder to subscribe for one new ordinary share in the Company at an exercise price of 75 pence per share. On 1 September 2016 the Company announced that it had received applications from investors to subscribe for Bonds totalling £4,073,034 and that all of these applications had been accepted in full. Following the repayment of the existing convertible bonds held by Andrew Weeber and his wife, the net cash proceeds received by the Company amounted to approximately £2,318,000.