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 2017

Highlights

- Sales up by 42% to £378,000 (30 June 2016: £266,000)
- Strong growth in exports to 30% of sales (30 June 2016: 6%) and now selling to 15 countries
- Gross profit up by 128% to £214,000 (30 June 2016: £94,000)
- Operating loss reduced by 9% to £549,000 (30 June 2016: £600,000)
- Successful completion of Open Offer in June 2017 has raised £4.2 million (before expenses) for ongoing investment in the business.
- Trading continues in-line with management's expectations
- Continued success in major international wine competitions has included Gusbourne wines receiving a total of seven gold medals as well as a Platinum 'Best in Class' award at the Decanter World Wine Awards and Judges Trophy at the prestigious Texsom competition

Post period end

- Cellar door operation at Gusbourne's winery and estate in Kent opened for business in July 2017 and is now providing tours, wine tastings and hosting of events to a growing number of visitors
- Balance sheet strengthened through the conversion of £2.05m of bonds into equity in August 2017

Charlie Holland, Chief Winemaker and Chief Executive Officer commented:

"I am pleased to report on the solid progress made by Gusbourne during the first half of the year, as the Company continues to work towards achieving its long-term plans for sales and production growth over the coming years. We are particularly pleased with the contribution of export sales which have exceeded expectations in the first half of the year. The opening of the Nest (our cellar door operation in Kent), has been well received by visitors and provides an opportunity for visitors to learn first-hand about our vineyard and winery operations as well as our award-winning wines."

Awards

Gusbourne continues to enjoy success in major international wine competitions. In the first half of 2017 Gusbourne won seven gold medals across a number of high profile competitions. The Gusbourne Blanc de Blancs was particularly successful receiving five gold medals and awarded with the Judge's Trophy at the Prestigious Texsom competition in March 2017. Gusbourne was also awarded a Platinum 'Best in Class' medal at the Decanter World Wine Awards ("DWWA") in June 2017 for the Gusbourne Pinot Noir 2015, building on the success of the previous vintage which won this accolade in the 2016 competition.

Financials

Results for the six months ended 30 June 2017

Sales for the period amounted to £378,000 (30 June 2016: £266,000). Whilst these sales reflect an increase of 42% compared to the prior period in 2016, they continue to reflect limited stock availability of earlier year vintages. Administrative expenses of £746,000 (30 June 2016: £678,000) includes increased depreciation of

£220,000 (30 June 2016: £164,000) reflecting the increased capital spend and also includes the continuing investment in the development and growth of the business, particularly the Gusbourne brand.

The operating loss for the period was reduced to £549,000 (30 June 2016: £600,000), reflecting revenues increasing at a faster rate than the planned but lower increase in administrative costs. The loss before tax was £815,000 (30 June 2016: £696,000) after increased finance costs of £266,000 (30 June 2016: £103,000), primarily related to discount expense on outstanding deep discount bonds.

These planned losses continue to be in line with management's 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 £174,000 (30 June 2016: £124,000).

In addition, the Group invested in additional plant and equipment for the vineyards and the winery during the period amounting to £270,000 (30 June 2016: £198,000) and in buildings (including Assets in the course of construction) of £490,000 (30 June 2016: £372,000).

Total assets at 30 June 2017 of £18,329,000 (30 June 2016: £13,402,000) include freehold land and buildings of £5,527,000 (30 June 2016: £5,538,000), vineyards of £3,396,000 (30 June 2016: £3,072,000), inventories of wine stocks amounting to £2,386,000 (30 June 2016: £1,764,000), and £3,136,000 of cash (30 June 2016: £336,000). Intangible assets of £1,007,000 (30 June 2016: £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 various assets of the business. The Group's inventories are reported at the lower of cost and net realisable value. These inventories are expected to grow significantly until the Group reaches full production maturity, considering 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, is expected to become an increasingly significant factor of the Group's asset base.

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 2017 amounted in total to £6,714,000 (30 June 2016: £3,973,000) and represent 61% of total equity (30 June 2016: 46%).

In June 2017, the Company completed an Open Offer with existing shareholders, which was underwritten by the Company's principal shareholder Lord Ashcroft KCMG PC, to raise proceeds of £4.2m (before expenses). The Company simultaneously announced a short-term loan from Lord Ashcroft KCMG PC of £1,000,000 which was offset against Lord Ashcroft KCMG PC's subscription under the Open Offer. The proceeds from this loan and the Open Offer will continue to be applied towards working capital and capital expenditure in line with the Company's long-term strategic plan. On 29 June 2017 the Company announced the completion of this Open Offer and also announced that the Share Capital Reduction to subdivide each of the Company's existing ordinary shares of 50p each into one ordinary share of 1 pence and one deferred share of 49 pence, was now effective.

On 30 June 2017, the Company announced a Conversion Offer to Bondholders to apply to convert their Bonds into new Ordinary Shares in the Company at the Issue Price of 40p. On the 1 August 2017, the Company announced that it had received final acceptances in respect of 5,136,662 Conversion Offer Shares, which represents a conversion of approximately 46 per cent of the outstanding Bonds and a Conversion Value of approximately £2.05 million, improving the strength of the Company's balance sheet through reduced borrowings. Following the admission on the 2 August, the company has 39,366,984 ordinary 1p shares trading on AIM.

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 fund ongoing growth in the Company's operations and asset base, 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

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 2017

	Note	Unaudited Six months to 30 June 2017 £'000	Unaudited Six months to 30 June 2016 £'000	Audited Year ended 31 December 2016 £'000
Revenue		378	266	640
Cost of sales		(164)	(172)	(423)
Gross profit		**214**	**94**	**217**
Fair value movement in biological assets	6	(17)	(16)	-
Fair value movement in biological produce	6	-	-	9
Administrative expenses		(746)	(678)	(1,385)
Loss from operations		**(549)**	**(600)**	**(1,159)**
Finance income	3	-	**7**	13
Finance expense		**(266)**	**(103)**	(382)
Loss before tax		**(815)**	**(696)**	**(1,528)**
Tax expense		-	-	-
Loss for the period attributable to owners of the parent		**(815)**	**(696)**	**(1,528)**
Loss per share attributable to the ordinary equity holders of the parent:				
Basic and diluted		(3.43p)	(2.94p)	(6.46p)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2017

	Notes	Unaudited 30 June 2017	Unaudited 30 June 2016	Audited 31 December 2016
Assets		**£'000**	**£'000**	**£'000**
Non-current assets				
Intangibles	4	**1,007**	1,007	1,007
Property, plant and equipment	5	**10,743**	9,701	9,930
		11,750	**10,708**	**10,937**
Current assets				
Biological assets	6	**389**	242	-
Inventories	7	**2,386**	1,764	2,247
Trade and other receivables		**668**	352	314
Cash and cash equivalents		**3,136**	336	1,123
		6,579	**2,694**	**3,684**
Total assets		**18,329**	**13,402**	**14,621**
Liabilities				
Current liabilities				
Trade and other payables		**(558)**	(765)	(252)
Finance leases		**(52)**	(41)	(51)
Loans and borrowings	8	**(34)**	(34)	(34)
		(644)	**(840)**	**(337)**
Non-current liabilities				
Loans and borrowings	8	**(6,524)**	(2,144)	(6,322)
Finance leases		**(104)**	(113)	(130)
Convertible deep discount bonds		**-**	(1,641)	-
		(6,628)	**(3,898)**	**(6,452)**
Total liabilities		**(7,272)**	**(4,738)**	**(6,789)**
NET ASSETS		**11,057**	**8,664**	**7,832**
Issued capital and reserves attributable to owners of the parent				
Share capital		**11,924**	11,820	11,820
Share premium		**4,751**	815	815
Merger reserve		**(13)**	(13)	(13)
Convertible bond reserve		**-**	95	-
Retained earnings		**(5,605)**	(4,053)	(4,790)
TOTAL EQUITY		**11,057**	**8,664**	**7,832**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2017

	Unaudited Six months to 30 June 2017 £'000	Unaudited Six months to 30 June 2016 £'000	Audited Year ended 31 December 2016 £'000
Cashflows from operating activities			
Loss for the year/period before tax	**(815)**	(696)	(1,528)
Adjustments for:			
Depreciation of property, plant and equipment	**220**	164	357
Finance expense	**266**	103	382
Finance income	**-**	(7)	(13)
Movement in biological assets	**(389)**	(242)	-
Fair value movement in biological produce	**-**	-	(9)
Increase in trade and other receivables	**(373)**	(91)	(60)
Increase in inventories	**(137)**	(53)	(536)
Increase in trade and other payables	**222**	603	109
Cash outflow from operations	**(1,006)**	(219)	(1,298)
Investing activities			
Purchases of property, plant and equipment, excluding vineyard establishment	**(760)**	(570)	(778)
Investment in vineyard establishment	**(174)**	(124)	(338)
Net cash from investing activities	**(934)**	(694)	(1,116)
Financing activities			
Repayment of bank loan	**(17)**	(17)	(34)
Issue of Deep Discount Bond	**-**	-	4,073
Draw down of short-term loan*	**1,000**	-	-
Repayment of Convertible Deep Discount Bond	**-**	-	(1,755)
Finance lease agreements entered into	**-**	-	53
Repayment of finance leases	**(26)**	(20)	(46)
Interest paid	**(44)**	(42)	(82)
Issue of ordinary shares	**3,202**	-	-
Share issue expenses	**(162)**	-	-
Net cash from financing activities	**3,953**	(79)	2,209

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the six months ended 30 June 2017

	Unaudited Six months to 30 June 2017 £'000	Unaudited Six months to 30 June 2016 £'000	Audited Period to 31 December 2016 £'000
Net increase/(decrease) in cash and cash equivalents	**2,013**	(992)	(205)
Cash and cash equivalents at beginning of period	**1,123**	1,328	1,328
Cash and cash equivalents at end of period	**3,136**	336	1,123

***Non- cash transaction**
The short-term loan of £1,000,000 received in the period to 30 June 2017 was used as part settlement of monies due under the share subscription which completed on 29 June 2017.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2017

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 2015	**11,820**	**815**	**(13)**	**95**	**(3,357)**	**9,360**
Comprehensive loss for the period	-	-	-	-	(696)	(696)
30 June 2016	**11,820**	**815**	**(13)**	**95**	**(4,053)**	**8,664**
Comprehensive loss for the period	-	-	-	-	(832)	(832)
Convertible bond reserve transferred to retained earnings at redemption	-	-	-	(95)	95	-
31 December 2016	**11,820**	**815**	**(13)**	**-**	**(4,790)**	**7,832**
Unaudited:						
Share issue	104	4,098	-		-	4,202
Share issue expenses	-	(162)	-		-	(162)
Comprehensive loss for the period	-	-	-		(815)	(815)
30 June 2017	**11,924**	**4,751**	**(13)**		**(5,605)**	**11,057**

NOTES TO THE ACCOUNTS
For the six months ended 30 June 2017

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 2016 and are consistent with the accounting policies expected to apply in its financial statements for the year ended 31 December 2017.

The financial information for the six months ended 30 June 2017 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 2016 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 2016 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 2016. 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 2017 £'000	**Unaudited 30 June 2016 £'000**	**Audited 31 December 2016 £'000**
Depreciation of property, plant and equipment	220	164	357
Staff costs expensed to consolidated statement of income	104	127	220

3 Finance income and expenses

	Unaudited 30 June 2017 £’000	Unaudited 30 June 2016 £’000	Audited 31 December 2016 £’000
Finance income			
Amortisation of bank loan incentive	**-**	7	13
Total finance income	**-**	7	13
Finance expense			
Interest payable on borrowings	**45**	42	82
Amortisation of bank transaction costs	**2**	3	5
Discount expense on convertible bond	**-**	58	78
Discount expense on deep discount bond	**219**	-	122
Settlement amount in excess of carrying value at redemption	**-**	-	95
Total finance expense	**266**	103	382

4 Intangibles

	Unaudited 30 June 2017 £’000	Unaudited 30 June 2016 £’000	Audited 31 December 2016 £’000
Goodwill	**777**	777	777
Brand	**230**	230	230
	1,007	1,007	1,007

5 Property, plant and equipment

	Unaudited 30 June 2017 £’000	Unaudited 30 June 2016 £’000	Audited 31 December 2016 £’000
Freehold land and buildings	**5,527**	5,538	5,543
Plant, machinery and motor vehicles	**1,249**	1,077	1,119
Vineyard establishment	**1,650**	1,956	1,472
Mature vineyards	**1,746**	1,116	1,784
Computer equipment	**24**	14	12
Assets in the course of construction	**547**	-	-
	10,743	9,701	9,930

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 2017 £'000	**Unaudited 30 June 2016 £'000**	**Audited 31 December 2016 £'000**
Crop growing costs	**406**	258	488
Fair value of grapes harvested and transferred to inventories	**-**	-	(497)
Fair value movement in biological assets	**(17)**	(16)	-
Fair value movement in biological produce	**-**	-	9
Fair value of biological assets at the reporting date	**389**	242	-

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 2017 is £2,000 (30 June 2016: £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 £39,000 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 £39,000 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 2017 £'000	**Unaudited 30 June 2016 £'000**	**Audited 31 December 2016 £'000**
Finished goods	**100**	157	96
Work in progress	**2,286**	1,607	2,151
	2,386	1,764	2,247

8 Loans, borrowings and finance leases

	Unaudited 30 June 2017 £'000	Unaudited 30 June 2016 £'000	Audited 31 December 2016 £'000
Current liabilities			
Bank loans	**34**	34	34
	34		34
Non-current liabilities			
Bank loans	**2,110**	2,144	2,127
Deep discount bonds	**4,414**	-	4,195
Total loans and borrowings	**6,524**	2,144	6,322

The bank loan of £2,025,000 carries interest at an annual 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 of £119,000 carry a fixed interest rate of 6% per annum secured against certain items of plant and equipment. This loan is repayable via monthly instalments over 5 years.

The deep discount bond was issued on 2 September 2016 for a subscription price of £4,073,034. The bond is redeemable on 15 August 2021 and attracts a coupon rate of 9% per annum which is rolled up annually. The bond is secured by a fixed charge over the Group's land and buildings at Appledore, Kent. The final redemption amount of the deep discounts bonds is £6,266,868.

On 30 June 2017, the Company announced a Conversion Offer to Bondholders to apply to convert their Bonds into new Ordinary Shares in the Company at the Issue Price of 40p. On the 1 August 2017, the company announced it received final acceptances in respect of 5,136,662 Conversion Offer Shares, which represents a conversion of approximately 46 per cent of the outstanding Bonds and a Conversion Value of approximately £2.05 million. The final redemption amount of the deep discounts bonds following the conversion is £3,390,046.

9 Share capital

	Ordinary shares of 50p each Number	Deferred shares of 49p each Number	Ordinary shares of 1p each Number	£'000
At 1 January 2017	**23,639,762**	**-**	**-**	**11,820**
Subdivision of Ordinary shares of 50p each	(23,639,762)	23,639,762	23,639,762	-
Issued for cash during the period	-	-	10,506,560	105
At 30 June 2017	**-**	**23,639,762**	**34,146,322**	**11,925**

On 29 June 2017 each ordinary share of 50 pence each in the capital of the Company was divided into one ordinary

share of 1 pence and one deferred share of 49 pence. The ordinary shares of 1 pence each have the same rights as the previous ordinary shares of 50 pence each. The deferred shares of 49 pence each have no rights attached to them.

On 29 June 2017, by way of an Open Offer announced by the Company on 6 June 2017, the Company issued 10,506,560 ordinary shares of 1 pence each at a price of 40 pence per share.

10 Post balance sheet events

On 20 July 2017, the Company announced the issue and allotment of 42,000 new ordinary shares of 1p each in the Company to Charlie Holland, Chief Executive Officer, and 42,000 new ordinary shares of 1p each to Jon Pollard, Chief Operating Officer. The admission occurred on the 25 July 2017. On 30 June 2017, the Company announced a Conversion Offer to Bondholders to apply to convert their Bonds into new Ordinary Shares in the Company at the Issue Price of 40p. On the 1 August 2017, the Company announced it received final acceptances in respect of 5,136,662 Conversion Offer Shares, which represents a conversion of approximately 46 per cent of the outstanding Bonds and a Conversion Value of approximately £2.05 million. Following the admission on the 2 August, the company has 39,366,984 ordinary 1p shares trading on AIM.