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 2018.

Highlights

- Revenue up by 13% to £429,000 (30 June 2017: £378,000)
- Gross profit up by 25% to £268,000 (30 June 2017: £214,000)
- An EBITDA loss of £427,000 (30 June 2017: £329,000), reflecting planned investment in line with management’s expectations at this stage of the Company’s production and sales maturity.
- Ongoing success in major wine competitions including “Best Sparkling Wine”, Best Still Wine” and overall “Star of England” at the inaugural Harpers Wine Stars of England competition.

Charlie Holland, Chief Winemaker and Chief Executive Officer commented:

*“*Our results for the half year continue to show steady progress towards our goals for Gusbourne, in line with our strategy to further grow and develop the business in a manner which remains consistent with our long term aspirations for the Gusbourne brand. We intend to continue to produce and sell a range of vintage wines of exceptional quality from grapes grown in our own vineyards.”

Awards

Awards during the period and post period end have included:

- In May 2018, Gusbourne was awarded “Best Sparkling Wine”, Best Still Wine” and overall “Star of England” at the inaugural Harpers Wine Stars of England competition.
- At the Wine GB awards in July 2018 Gusbourne was awarded Gold medals for the Blanc de Blancs 2013, Pinot Noir 2016 and Guinevere 2014 and silver medals for the Brut Reserve 2014 and Rose 2014. The Blanc de Blanc 2013 went on to win the trophy for most outstanding Blanc de Blancs and the Pinot Noir 2016 was awarded the trophy for most outstanding still red wine.
- In August 2018 the Brut Reserve 2013 was awarded gold medal and the ‘best in class’ trophy at the Champagne and Sparkling Wine World Championships (CSWWC).

Financials

Results for the six months ended 30 June 2018

Revenue for the period amounted to £429,000 (30 June 2017: £378,000). Administrative expenses of £1,028,000 (30 June 2017: £746,000) includes depreciation of £307,000 (30 June 2017: £220,000) reflecting the increased capital spend. Excluding depreciation, administrative expenses amounted to £721,000 (30 June 2017: £526,000), the increase of £195,000 reflecting additional staff and other costs required to support the ongoing development and growth of the business.

The operating loss for the period was £734,000 (30 June 2017: £549,000), and EBITDA (operating loss before depreciation and amortisation) amounted to a loss of £427,000 (30 June 2017: EBITDA loss of £329,000) The loss before tax was £906,000 (30 June 2017: £815,000) after finance expenses of £172,000 (30 June 2017: £266,000).The lower finance costs primarily related to the discount expense on outstanding deep discount bonds.

These planned losses continue to be in line with management's expectations at this stage of the Group's production and sales maturity and in line with the long-term development plan for 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 £39,000 (30 June 2017: £174,000).

In addition, the Group invested in additional plant and equipment for the vineyards and the winery during the period amounting to £415,000 (30 June 2017: £270,000).

Total assets at 30 June 2018 of £17,678,000 (31 December 2017: £17,466,000) include freehold land and buildings of £6,518,000 (31 December 2017: £6,539,000), vineyards of £3,251,000 (31 December 2017: £3,260,000), inventories of wine stocks amounting to £3,781,000 (31 December 2017: £3,484,000), and £462,000 of cash (31 December 2017: £1,464,000). Intangible assets of £1,007,000 (31 December 2017: £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 operating 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, bank loans and other borrowings. Bank loans and other borrowings at 30 June 2018 amounted in total to £5,860,000 (31 December 2017: £4,778,000) and represent 51% of total equity (31 December 2017: 39%).

On 5 September 2018, Gusbourne announced that it had raised approximately £3.7 million by way of an issue of 6,221,699 new ordinary shares at a price of 60 pence per share. In addition., 6,221,699 warrants have been issued on a 1 for 1 basis to subscribers of these new shares, at an exercise price of 60p. These warrants can be exercised at any time up to 30 September 2019.

Lord Ashcroft KCMG PC subscribed for £2,702,517 representing 4,504,510 new ordinary shares., of which £1,000,000 together with accrued interest was satisfied through the repayment of the shareholder loan, in full, which was provided to the Company on 31 May 2018.

The Company's secured loan of £2m with Barclays Bank was due for repayment on 25 September 2018. The Company is currently negotiating an extended loan facility with the bank and a further announcement will be made in due course.

The achievement of the Group's long-term development strategy is expected to require 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 2018

	Note	Unaudited Six months to 30 June 2018 £'000	Unaudited Six months to 30 June 2017 £'000	Audited Year ended 31 December 2017 £'000
Revenue		429	378	998
Cost of sales		(161)	(164)	(381)
Gross profit		**268**	**214**	**617**
Fair value movement in biological assets	6	26	(17)	-
Fair movement in biological produce	6	-	-	(27)
Administrative expenses		(1,028)	(746)	(1,759)
Loss from operations		**(734)**	**(549)**	**(1,169)**
Finance expense	3	**(172)**	**(266)**	(469)
Loss before tax		**(906)**	**(815)**	**(1,638)**
Tax expense		-	-	-
Loss for the period attributable to owners of the parent		**(906)**	**(815)**	**(1,638)**
Loss per share attributable to the ordinary equity holders of the parent:				
Basic and diluted		(2.30p)	(3.43p)	(5.26p)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2018

Assets	Notes	Unaudited 30 June 2018 £'000	Unaudited 30 June 2017 £'000	Audited 31 December 2017 £'000
Non-current assets				
Intangibles	4	**1,007**	1,007	1,007
Property, plant and equipment	5	**11,377**	10,743	11,230
		12,384	**11,750**	**12,237**
Current assets				
Biological assets	6	**625**	389	-
Inventories	7	**3,781**	2,386	3,484
Trade and other receivables		**426**	668	281
Cash and cash equivalents		**462**	3,136	1,464
		5,294	**6,579**	**5,229**
Total assets		**17,678**	**18,329**	**17,466**
Liabilities				
Current liabilities				
Trade and other payables		**(394)**	(558)	(358)
Finance leases		**(47)**	(52)	(49)
Loans and borrowings	8	**(3,064)**	(34)	(2,059)
		(3,505)	**(644)**	**(2,466)**
Non-current liabilities				
Loans and borrowings	8	**(2,692)**	(6,524)	(2,590)
Finance leases		**(57)**	(104)	(80)
Convertible deep discount bonds		**-**	-	-
		(2,749)	**(6,628)**	**(2,670)**
Total liabilities		**(6,254)**	**(7,272)**	**(5,136)**
NET ASSETS		**11,424**	**11,057**	**12,330**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
At 30 June 2018

Issued capital and reserves attributable to owners of the parent			
Share capital	**11,977**	11,924	11,977
Share premium	**6,754**	4,751	6,754
Merger reserve	**(13)**	(13)	(13)
Retained earnings	**(7,294)**	(5,605)	(6,388)
TOTAL EQUITY	**11,424**	**11,057**	**12,330**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2018

	Unaudited Six months to 30 June 2018 £'000	Unaudited Six months to 30 June 2017 £'000	Audited Year ended 31 December 2017 £'000
Cashflows from operating activities			
Loss for the period/year before tax	**(906)**	(815)	(1,638)
Adjustments for:			
Depreciation of property, plant and equipment	**307**	220	479
Gain on shares issued to directors in the year	**-**	-	40
Profit on disposal of property, plant and equipment	**-**	-	(3)
Finance expense	**172**	266	469
Movement in biological assets	**(625)**	(389)	-
Fair value movement in biological produce	**-**	-	27
(Increase)/decrease in trade and other receivables	**(148)**	(373)	28
Increase in inventories	**(297)**	(137)	(1,264)
Increase in trade and other payables	**36**	222	45
Cash outflow from operations	**(1,461)**	(1,006)	(1,817)
Investing activities			
Purchases of property, plant and equipment, excl	**(415)**	(760)	(1,636)
Investment in vineyard establishment	**(39)**	(174)	(86)
Sale of property, plant and equipment	**-**	-	7
Net cash from investing activities	**(454)**	**(934)**	(1,715)
Financing activities			
Capital loan repayments	**(17)**	(17)	(34)
Short term loan*	**1,000**	1,000	1,000
Repayment of finance leases	**(25)**	(26)	(52)
Interest paid	**(45)**	(44)	(82)
Issue of ordinary shares	**-**	3,202	3,203
Share issue expenses	**-**	(162)	(162)
Net cash from financing activities	**913**	3,953	3,873

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the six months ended 30 June 2018

	Unaudited Six months to 30 June 2018 £'000	Unaudited Six months to 30 June 2017 £'000	Audited Period to 31 December 2017 £'000
Net (decrease)/increase in cash and cash equivalents	**(1,002)**	2,013	341
Cash and cash equivalents at beginning of period	**1,464**	1,123	1,123
Cash and cash equivalents at end of period	**462**	3,136	1,464

***Non- cash transaction**
The short-term loan of £1,000,000 shown in the period ended 30 June 2017 and, in the year, ended 31 December 2017 was used as part settlement of monies due under the share subscription, which completed on 29 June 2017.

The unsecured loan of £1,000,000 received in the period ended 30 June 2018 from Lord Ashcroft KCMG PC was repaid, with interest, as part settlement of monies due under the share subscription, which completed in September 2018.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2018

Audited:	**Share capital £'000**	**Share premium £'000**	**Merger reserve £'000**	**Retained earnings £'000**	**Total attributable to equity holders of parent £'000**
31 December 2016	**11,820**	**815**	**(13)**	**(4,790)**	**7,832**
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**
Share issue	2	-	-	-	2
Bond conversion	51	2,003	-	-	2,054
Comprehensive loss for the period	-	-	-	(823)	(823)
Gain on shares issued to directors in the year	-	-	-	40	40
31 December 2017	**11,977**	**6,754**	**(13)**	**(6,388)**	**12,330**
Unaudited:					
Comprehensive loss for the period	-	-	-	(906)	(906)
30 June 2018	**11,977**	**6,754**	**(13)**	**(7,294)**	**11,424**

NOTES TO THE ACCOUNTS
For the six months ended 30 June 2018

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 2017 and are consistent with the accounting policies expected to apply in its financial statements for the year ended 31 December 2018.

The financial information for the six months ended 30 June 2018 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 2017 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 2017 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 2017. 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 2018 £'000	Unaudited 30 June 2017 £'000	Audited 31 December 2017 £'000
Depreciation of property, plant and equipment	307	220	479
Staff costs expensed to consolidated statement of income	256	104	310

3 Finance expense

	Unaudited 30 June 2018 £'000	Unaudited 30 June 2017 £'000	Audited 31 December 2017 £'000
Finance expense			
Interest payable on borrowings	**50**	45	82
Amortisation of bank transaction costs	**3**	2	5
Deep discount bond charge	**119**	219	382
Total finance expense	**172**	266	469

4 Intangibles

	Unaudited 30 June 2018 £'000	Unaudited 30 June 2017 £'000	Audited 31 December 2017 £'000
Goodwill	**777**	777	777
Brand	**230**	230	230
	1,007	1,007	1,007

5 Property, plant and equipment

	Unaudited 30 June 2018 £'000	Unaudited 30 June 2017 £'000	Audited 31 December 2017 £'000
Freehold land and buildings	**6,518**	5,527	6,539
Plant, machinery and motor vehicles	**1,562**	1,249	1,407
Vineyard establishment	**907**	1,650	863
Mature vineyards	**2,344**	1,746	2,397
Computer equipment	**46**	24	24
Asset in the course of construction	**-**	547	-
	11,377	10,743	11,230

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 2018 £'000	Unaudited 30 June 2017 £'000	Audited 31 December 2017 £'000
Crop growing costs	**599**	406	1,048
Fair value of grapes harvested and transferred to inventories	**-**	-	(1,021)
Fair value movement in biological assets	**26**	(17)	-
Fair value movement in biological produce	**-**	-	(27)
Fair value of biological assets at the reporting date	**625**	389	-

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 2018 is £2,300 (2017: £2,300) 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 £2,530 per tonne would result in an increase of £65,000 in the fair value of biological assets at the reporting date. A 10% decrease in the estimated market price of grapes to £2,070 per tonne would result in a decrease of £65,000 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 2018 £'000	Unaudited 30 June 2017 £'000	Audited 31 December 2017 £'000
Finished goods	**83**	100	90
Work in progress	**3,698**	2,286	3,394
	3,781	2,386	3,484

8 Loans, borrowings and finance leases

	Unaudited 30 June 2018 £'000	Unaudited 30 June 2017 £'000	Audited 31 December 2017 £'000
Current liabilities			
Short term loan	**1,006**	-	-
Bank loans	**2,058**	34	2,059
	3,064	34	2,059
Non-current liabilities			
Bank loans	**51**	2,110	68
Deep Discount Bonds	**2,641**	4,414	2,522
Total loans and borrowings	**2,692**	6,524	2,590

The Company entered into an agreement on 31 May 2018 with Lord Ashcroft KCMG PC to receive a short term unsecured loan of £1,000,000. The loan carries interest for a period of 3 months following the date of the loan agreement at the rate of 7% per annum above the base rate as varied from time to time by Barclays Bank plc, and thereafter at 10% per annum. The short-term loan has subsequently been repaid in full as part consideration for Lord Ashcroft KCMG PC's subscription for new ordinary shares announced on 5 September 2018.

The bank loan of £2,025,000 is at an interest rate of 3% over Barclays Bank plc base rate and was due for repayment in full on 25 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. The Company is currently negotiating an extended loan facility with the bank and a further announcement will be made in due course.

Other bank loans of £86,000 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 from January 2016.

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

On 30 June 2017 the Company offered Bondholders the opportunity to convert their bonds into new Ordinary shares at an Issue price of 40p. The company announced, on 1 August, that it received final acceptances of 5,136,662 Conversion Offer Shares, raising £2,055,000 and resulting in a reduction of the final redemption amount of the deep discount bonds to £3,390,000.

9 Post balance sheet events

On 5 September 2018, Gusbourne announced that it had raised approximately £3.7 million by way of an issue of 6,221,699 new shares at a price of 60 pence per share. Furthermore, 6,221,699 Warrants have been issued on a 1 for 1 basis to subscribers of these new Shares, at an exercise price of 60p. The warrants can be exercised at any time up to 30 September 2019.

Lord Ashcroft KCMG PC has subscribed for £2.7 million representing 4,504,510 New Shares, of which £1 million together with accrued interest has been satisfied through the repayment of the short term loan, in full, which was provided to the Company on 31 May 2018.