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 2014

Key Highlights

- An additional 50 acres of vineyards planted in May 2014 on the Company's freehold estate in Kent, bringing the total acreage under vine to 155 acres.
- Bottling of the 2013 vintage in May and June 2014, following the successful October 2013 harvest which has added significantly to our stocks for sale in future years.
- Prospects for another excellent harvest this year with optimum weather conditions throughout the growing season.
- International Wine Challenge gold medal for Gusbourne Brut Reserve 2009 in May 2014. Finalist in the "Best Drinks Producer" category of the 2014 BBC Food and Farming awards.
- Sales of £194,000 (H1 2013 - £nil) for the period in line with stock availability of prior year vintages.
- Net loss for the period of £501,000 (H1 2013 - £202,000) for the period in line with expectations at this stage of the Company's development reflecting ongoing investment in the Company's long term strategic plan.

Andrew Weeber, Chairman, commented:

"I am pleased to report further steady progress towards the achievement of our long term goals. We have expanded our vineyards with the additional planting of 50 acres in Kent and we have continued to develop our trade partnerships and the Gusbourne brand. A larger than expected harvest last year has added significantly to our stock levels for sale in future years and there are good prospects for a similar excellent harvest this year.

We are proud to produce some of the best English sparkling wines available and were delighted at the end of last year to win the trophy for "English Wine Producer of the Year" as well as "Best Bottle Fermented Sparkling Wine" from the International Wine and Spirit Competition (IWSC). In May this year we were delighted to receive an International Wine Challenge gold medal for Gusbourne Brut Reserve 2009.

The production of premium quality wine from new vineyards is, by its very nature, a long term, and generational business. It takes four years to bring a vineyard into full production and a further four years to transform these grapes into an exquisite sparkling wine.

The Company benefits from a strong asset backing including freehold land, vineyards and wine stocks. The Company also benefits from the well regarded and internationally recognised Gusbourne brand. Our long term plan includes additional investment in new vineyards, increased winemaking capacity, wine stocks and most importantly, brand development. We appreciate the support our shareholders provide to us and we are proud to be the only English vineyard to be quoted on AIM".

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 West Sussex in May 2013 and in Kent in May 2014. Further plantings are planned in both Kent and West Sussex.

Results for the six months ended 30 June 2014

Sales for the period amounted to £194,000 (H1 2013 - £nil). Whilst these sales reflect the limited stock availability of prior year vintages, they were however approximately 143 per cent higher than those made by the Gusbourne Estate business for the same period in 2013 under its previous ownership and reflect a continuing like for like growth in the sale of Gusbourne wines. Cost of sales remain higher than normal due to the impact of fair valuing of the initial stocks of wine which were acquired as part of the acquisition of the Gusbourne Estate business in September 2013. Administrative expenses for the period of £450,000 (H1 2013 - £238,000) reflect the growth in the business following the acquisition of the Gusbourne Estate business and additional staff. The operating loss for the period was £424,000 (H1 2013 - £238,000). The loss before tax was £516,000 (H1 2013 - £202,000) after net finance costs of £82,000 (H1 2013 – net finance income of £36,000). These expected losses reflect the long term development strategy of the business.

Balance Sheet

The changes to the Group's balance sheet during the period to 30 June 2014 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 in Kent and including the ongoing costs associated with the vineyards established in West Sussex in May 2013 at a cost of £345,000 (H1 2013 - £374,000), the purchase of additional plant and equipment for the vineyards and the winery amounting to £62,000 (H1 2013 - £108,000) and the planned ongoing development of the business which is reflected in the net loss for the period of £501,000 (H1 2013 - £202,000).

Total assets at 30 June 2014 of £11,057,000 (2013 - £3,962,000) include freehold land and buildings of £4,596,000 (2013 - £223,000), inventories of wine stocks amounting to £1,260,000 (2013 - £150,000), £1,413,000 of biological assets (2013 - £154,000) and £1,074,000 of cash (2013 - £2,685,000). Intangible assets of £1,007,000 (2013 - £nil) 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.

The Group's net tangible assets at 30 June 2014 amount to £5,623,000 (2013 - £3,741,000) and represent 85% of total equity (2013 – 100%).

Financing

The Group's activities are financed by its own cash resources, bank loans and convertible bonds. Bank loans and convertible bonds at 30 June 2014 amount in total to £3,792,000 (2013 - £nil)) and represent 57% of total equity (2013 – 0%).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. Additional funding will be sought by the Company to invest in additional 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/Ben Walgate	+44 (0)12 3375 8666

Cenkos Securities plc

Nicholas Wells	+44 (0)20 7397 8900

Broker Profile

Simon Courtenay/Tamsin Shephard	+44 (0)20 7448 3244

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 2014

	Note	Unaudited Six months to 30 June 2014 £'000	Unaudited Six months to 30 June 2013 £'000	Audited Nine months to 31 December 2013 £'000
Revenue		194	-	129
Cost of sales		(168)	-	(78)
Gross profit		**26**	**-**	**51**
Change in fair value of biological assets	5	-	-	145
Transactions expenses – stamp duty land tax		-	-	(211)
Transactions expenses – other		-	-	(187)
Other administrative expenses		(450)	(238)	(434)
Total administrative expenses		(450)	(238)	(832)
Loss from operations		**(424)**	**(238)**	**(636)**
Finance income	2	15	36	29
Finance expense	2	(107)	-	(59)
Loss before tax		**(516)**	**(202)**	**(666)**
Tax credit/(expense)		**15**	-	(60)
Loss for the period attributable to owners of the parent		**(501)**	**(202)**	**(726)**
Loss per share attributable to the ordinary equity holders of the parent:				
Basic		**(3.29p)**	(2.53p)	(6.88p)
Diluted		**(3.29p)**	(2.53p)	(6.88p)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2014

Assets	Notes	Unaudited 30 June 2014 £'000	Unaudited 30 June 2013 £'000	Audited 31 December 2013 £'000
Non-current assets				
Intangibles	3	**1,007**	-	1,007
Property, plant and equipment	4	**6,071**	761	5,724
Biological assets	5	**1,413**	154	1,240
		8,491	**915**	**7,971**
Current assets				
Inventories	6	**1,260**	150	1,310
Trade and other receivables		**232**	212	251
Cash and cash equivalents		**1,074**	2,685	1,703
		2,566	**3,047**	**3,264**
Total assets		**11,057**	**3,962**	**11,235**
Liabilities				
Current liabilities				
Trade and other payables		**(590)**	(221)	(324)
		(590)	**(221)**	**(324)**
Non-current liabilities				
Loans and borrowings	8	**(2,025)**	-	(2,025)
Convertible deep discount bonds	9	**(1,767)**	-	(1,695)
Deferred tax liabilities		**(45)**	-	(60)
		(3,837)	**-**	**(3,780)**
Total liabilities		**(4,427)**	**(221)**	**(4,104)**
NET ASSETS		**6,630**	**3,741**	**7,131**
Issued capital and reserves attributable to owners of the parent				
Share capital		**7,612**	4,000	7,612
Share premium		**346**	266	346
Merger reserve		**(13)**	(266)	(13)
Convertible bond reserve		**95**	-	95
Retained earnings		**(1,410)**	(259)	(909)
TOTAL EQUITY		**6,630**	**3,741**	**7,131**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2014

	Unaudited Six months to 30 June 2014 £'000	Unaudited Six months to 30 June 2013 £'000	Audited Nine months to 31 December 2013 £'000
Cashflows from operating activities			
Loss for the period before tax	**(516)**	(202)	(666)
Adjustments for:			
Depreciation of property, plant and equipment	**60**	12	36
Profit on disposal of property, plant and equipment	**-**	(8)	(8)
Finance expense	**107**	-	59
Finance income	**(15)**	(36)	(29)
Movement in biological assets	**(173)**	(1)	(302)
	(537)	(235)	(910)
Decrease/(increase) in trade and other receivables	**19**	(119)	44
Decrease/(increase) in inventories	**50**	(4)	(17)
Increase in trade and other payables	**266**	101	130
Cash outflow from operations	**(202)**	(257)	(753)
Income taxes paid	**-**	-	-
Net cash out flows from operating activities	**(202)**	(257)	(753)
Investing activities			
Purchases of property, plant and equipment, excluding vineyard establishment	**(62)**	(108)	(653)
Investment in vineyard establishment	**(345)**	(374)	(418)
Purchase of biological assets	**-**		**-**
Acquisition of Gusbourne Estate business	**-**	-	(4,263)
Sale of property, plant and equipment	**-**	35	35
Interest received	**15**	36	29
Net cash from investing activities	**(392)**	(411)	(5,270)
Financing activities			
Bank loan	**-**	**-**	2,025
Redemption of redeemable preference shares	**-**	**-**	(50)
Interest paid	**(35)**	**-**	(19)
Issue of ordinary shares	**-**	**-**	2,851
Share issue expenses	**-**	**-**	(209)
Net cash from financing activities	**(35)**	**-**	4,598

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the six months ended 30 June 2014

	Unaudited Six months to 30 June 2014 £'000	Unaudited Six months to 30 June 2013 £'000	Audited Nine months 31 December 2013 £'000
Net decrease in cash and cash equivalents	**(629)**	(668)	(1,425)
Cash and cash equivalents at beginning of period	**1,703**	3,353	3,128
Cash and cash equivalents at end of period	**1,074**	2,685	1,703

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2014

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 March 2013	**4,000**	**266**	**(266)**	**-**	**(183)**	**3,817**
Shares issued	3,612	80	-	-	-	3,692
Equity recognised on issue of convertible bonds	-	-	-	95	-	95
Excess of fair value over nominal value of shares issued	-	-	253	-	-	253
Comprehensive loss for the period	-	-	-	-	(726)	(726)
Total comprehensive income for the period	**3,612**	**80**	**253**	**95**	**(726)**	**3,314**
31 December 2013	**7,612**	**346**	**(13)**	**95**	**(909)**	**7,131**

Unaudited:	**Share capital**	**Share premium**	**Merger reserve**	**Convertible bond reserve**	**Retained earnings**	**Total attributable to equity holders of parent**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
31 December 2013	**7,612**	**346**	**(13)**	**95**	**(909)**	**7,131**
Comprehensive loss for the period	-	-	-	-	(501)	(501)
Total comprehensive loss for the period	**-**	**-**	**-**	**-**	**(501)**	**(501)**
30 June 2014	**7,612**	**346**	**(13)**	**95**	**(1,410)**	**6,630**

NOTES TO THE ACCOUNTS
For the six months ended 30 June 2014

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 nine months ended 31 December 2013.

The financial information for the six months ended 30 June 2014 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 nine months ended 31 December 2013 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 nine months ended 31 December 2013 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 nine months ended 31 December 2013. 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 2014 £'000	**Unaudited 30 June 2013 £'000**	**Audited 31 December 2013 £'000**
Finance income			
Interest received on bank deposits	**15**	36	29
Total finance income	**15**	36	29
Finance expense			
Interest payable on borrowings	**35**	-	19
Convertible deep discount bond charge	**72**	-	40
Total finance expense	**107**	-	59

NOTES TO THE ACCOUNTS (continued)
For the six months ended 30 June 2014

3 Intangibles

	Unaudited 30 June 2014 £'000	Unaudited 30 June 2013 £'000	Audited 31 December 2013 £'000
Goodwill	**777**	-	777
Brand	**230**	-	230
	1,007	-	1,007

4 Property, plant and equipment

	Unaudited 30 June 2014 £'000	Unaudited 30 June 2013 £'000	Audited 31 December 2013 £'000
Freehold land and buildings	**4,596**	223	4,601
Plant, machinery and motor vehicles	**652**	160	647
Vineyard establishment	**804**	374	458
Computer equipment	**19**	4	17
	6,071	761	5,723

Vineyard 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.

NOTES TO THE ACCOUNTS (continued)
For the six months ended 30 June 2014

5 Biological assets

	Vines £'000
At 1 April 2013	154
Arising on the acquisition of Gusbourne Estate business	1,074
Fair value of grapes harvested and transferred to inventory	(290)
Crop growing costs	157
Change in fair value due to price, yield and maturity	145
At 31 December 2013	1,240
Crop growing costs	173
At 30 June 2014	**1,413**

6 Inventories

	Unaudited 30 June 2014 £'000	Unaudited 30 June 2013 £'000	Audited 31 December 2013 £'000
Raw materials and consumables	**41**	-	171
Wine	**1,219**	150	1,139
	1,260	150	1,310

7 Loans and borrowings

	Unaudited 30 June 2014 £'000	Unaudited 30 June 2013 £'000	Audited 31 December 2013 £'000
Bank loan	**2,025**	-	2,025
	2,025	-	2,025

The bank loan of £2,025,000 incurs interest at a 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.

8 Convertible bonds

	£'000
Present value of debt element at 1 January 2014	1,695
Discount expense for the period	72
Carrying value of debt element at 30 June 2014	1,767
Equity element at 1 January and 30 June 2014	95
Total fair value at 30 June 2014	**1,862**

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 the 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.

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 Business combinations

On 27 September 2013 Gusbourne Estate Limited, a wholly owned subsidiary of the Group, acquired the Gusbourne Estate business and related freehold property for a total consideration of £7,316,000. The principal reason for this acquisition was to invest in, and further develop, the Gusbourne Estate business including, in particular, its award winning Gusbourne brand to take advantage of further anticipated market growth in this sector of the wine industry.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

		Fair value	
	Book value	**Adjustment**	**Fair value**
Net assets at the acquisition date	**£'000**	**£'000**	**£'000**
Property, plant and equipment	4,369	-	4,369
Biological assets	1,074	-	1,074
Inventories	641	225	866
Brand	-	230	230
Total net assets	**6,084**	**455**	**6,539**

Fair value of consideration paid:	**£'000**
Cash	4,263
Shares	1,303
Convertible bond – present value of debt element	1,655
Convertible bond – equity element	95
Total consideration	**7,316**
Goodwill	**777**

Transaction costs of £187,000 and Stamp Duty Land Tax of £211,000 in connection with the acquisition were recognised in the statement of comprehensive income in the period ended 31 December 2013.

The fair value of the Group's shares issued in consideration for the acquisition was based on the acquisition date share price of £0.67 per share. The convertible bond was also fair valued at the date of acquisition.

The main factors leading to the recognition of goodwill are the presence of intangible assets, such as the workforce of the acquired entity, which do not qualify for separate recognition, and synergies resulting from material cost savings and sharing of expertise and systems which will enable future growth.