

Registered number: 04362181

CHAPEL DOWN GROUP PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2020

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CHAPEL DOWN GROUP PLC

COMPANY INFORMATION

Directors

J.D. Brooke

M.S. Harvey
F.D. Thompson
R.A.B. Woodhouse
N.W. Wray
M. R. Glenn
S. H. Emeny
S. A. Wren
S. C. Gilliland

Secretary

R.A.B. Woodhouse

Company number

04362181

Registered office

Chapel Down Winery
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Kent
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Independent auditor

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Riverside House
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CHAPEL DOWN GROUP PLC
CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

Chairman's Report

I am pleased to announce significant progress in the results and further clarity in company direction for the year ended 31 December 2020.

Key highlights:

- **Wines and Spirits**
 - Wine sales volumes were up 38% reflecting the growing demand for our award-winning wines despite losing approximately a third of our business in the on licensed trade and our own retail shop sales due to COVID-19 lockdowns.
 - Direct to consumer volumes were up 467%, offsetting reduced volumes in the hospitality trade and our own retail outlets due to COVID-19 lockdowns. They have grown from just 4% of our trade in 2019 and now represent 18%.
 - Another excellent harvest in both quality and quantity in 2020 has enabled us to increase stocks by 12% to £12.029m (2019: £10.719m) with substantially increased levels of high-quality sparkling wine stock.
 - Further recognition of the premium quality of our wines with Platinum medals for our Kit's Coty Coeur de Cuvée 2014 and our Three Graces 2015 and Gold for Kit's Coty Blanc de Blancs 2014 and Kit's Coty Chardonnay 2017 at The Decanter World Wine 2020 Awards. This, along with more trophies and Golds in the WineGB awards for both sparkling and still wines reinforces Chapel Down's position as England's leading producer.
 - Chapel Down Wine and Spirits revenues on a continuing basis up 32% to £13.294m (2019: £10.102m).
 - Wines and Spirits gross profit on a continuing basis up 31% at £5.149m (2019: £3.920m).
 - Adjusted EBITDA for Chapel Down Wines and Spirits was up 76% at £1.608m (2019: £0.915m).
- **Beer and Cider**
 - Our Beer and Cider business – with some 90% of its sales in the hospitality sector – was badly affected by the COVID-19 lockdowns.
 - Beer and Cider sales, in Curious Drinks Limited, were down 52% to £2.265m (2019: £4.699m) reflecting the impact of the closure of the on-trade for much of the year.
 - Beer and Cider gross profit (in Curious Drinks Limited) down 68% at £0.451m (2019: £1.431m).
 - With the closure of hospitality, the off-trade was dominated by heavy discounting and intense competition for shelf space.
 - Adjusted EBITDA for Beer and Cider was a loss of (£1.629m) (2019: loss of (£1.776m)).
- Adjusted EBITDA for the Group was a loss of (£0.021m) (2019: loss of (£1.236m))*.
- The loss before tax for the Group was a loss of (£7.860m) (2019: loss of (£4.285m)) which included £6.677m of exceptional costs associated with the disposal of Curious Drinks Limited which completed on 23rd April 2021.

* Excludes the effect of the exceptional costs and the FRS 102 Section 26 share option accounting adjustment of £40k (2019: £43k) which is a non-cash item.

The extraordinary events of 2020 presented huge challenges to every business. With nearly one third of our Wines and Spirits and 90% of our Beer and Cider businesses effectively closed, we have had to pivot our business at astonishing pace and make some tough decisions in order to continue to grow our core wine business and the Chapel Down brand. Sadly, that meant having to take the decision to dispose of our beer business to ensure we could focus our energy and resources on our growing Wine and Spirits business.

CHAPEL DOWN GROUP PLC
CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020
(continued)

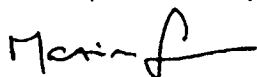
English wine is on a high. Building our Wine business and brand has taken time and considerable investment over the years. The results are now encouraging. Our wine quality has never been better and enjoys high critical acclaim both at home and abroad. Consumer interest and desire is growing and the English Wine category is being increasingly well supported by trade customers. Chapel Down is the best known and leading brand. After twenty years of building, we believe we are in a very good position to further accelerate growth.

With a strong brand, the results for Chapel Down Wines have been outstanding in such a difficult year – a 38% increase in sales volumes for the wines, the rapid development of an e-commerce business that has become 18% of our sales, a very good harvest, more awards for quality and further distribution success with major supermarket customers ensuring that the brand was widely available and continued to gain awareness and popularity.

Our asset base is strong and supports the business – high quality vined land, stocks of valuable wines, buildings and equipment and a strong brand.

We will continue to invest over the coming years to secure more high quality fruit, excellence in our winery operations, improving our commercial and online infrastructure, hiring and training the best talent and creating smarter and more effective marketing to ensure that we build the Chapel Down brand and experience to consolidate our leadership position in this exciting growth market.

We continue to enjoy the custom and support of our thousands of shareholders who I regularly hear tell the Chapel Down story with such enthusiasm. On behalf of the whole team, thank-you!



Martin Glenn
Chairman

4 June 2021

CHAPEL DOWN GROUP PLC
GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

Introduction

Chapel Down Group Plc is pleased to announce the company's results for the 12 month period ended 31 December 2020.

The principal activity of the group continues to be the production and sale of alcoholic beverages. A review of the business, which includes a review of key performance indicators appears below. The primary measure of operating performance is Adjusted EBITDA.

Chief Executive's Commentary

The past year has been extremely challenging for everyone.

As we start to emerge from the crisis, Chapel Down's wine business is now in much better shape. There is a great deal of excitement around English wine. In Chapel Down we have the leading brand with a growing reputation, the broadest distribution, a rapidly growing on-line business and huge potential for growth as the quality of our wines improve every year.

It was also a heart-breaking year for the Curious Brewery which was hamstrung by the closure of the hospitality business for most of 2020. With the need to support the rapid growth of our core wine business and the need to transform the sales towards e-commerce and off sales successfully and quickly, the beer business became unsustainable for us. I am pleased that we were able to dispose of it without further redundancies and to new owners who will invest.

Your team are now solely focused on the growing market for English wines both at home and abroad. Our excitement about the future is fuelled by not only the rising quality of English wines, but also the increasing support for great British premium products that are widely available. And with Chapel Down enjoying a great reputation and the highest ever awareness, we feel increasingly confident about the future.

Turning to 2020 performance...

Performance Review

Review and Disposal of Curious Drinks Limited:

Our Beer and Cider sales are largely focused on the hospitality trade which was shut from 20 March 2020 to 4 July 2020 and then again from 5 November 2020. Our shop, restaurant and bar at the state-of-the-art Curious Brewery in Ashford were also closed on 20 March. As a result, Beer and Cider sales were down 52% at £2.265m (2019: £4.699m). Gross profit was £0.451m (2019: £1.431m) as margins were significantly impacted by stock returns and the shift to lower margin bottle sales.

We made a conscious decision to reduce spend across the business. This along with the furloughing of staff and a redundancy program in Q3 2020 resulted in overhead expenditure down £0.900m as the brewery was effectively moth-balled for much of the year. The adjusted EBITDA* was a loss of (£1.629m) (2019: loss of (£1.776m)).

On 9 February 2021 we announced that we intended to dispose of the Curious Drinks business and assets, comprising the Curious Beer and Cider brands and the Curious Brewery and restaurant, to a new company, established at the direction of Risk Capital Partners LLP ("RCP").

The decision followed a strategic review by the Board, which was undertaken as a consequence of the effects of the COVID-19 pandemic on the hospitality industry. As disclosed in our interim results released on 30 September 2020, with 90% of its beer sold to the on-trade, Curious Drinks has been significantly impacted by the closure of pubs, bars, restaurants and hotels and other hospitality venues and events due to the UK Government imposed lockdowns.

CHAPEL DOWN GROUP PLC
GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

In contrast, Chapel Down's Wine and Spirit business, with an established strong brand and a more multichannel route to market has thrived, with overall volume growth of 38% in 2020. Increased focus and sales to supermarkets and other off premise retailers, and booming direct sales on-line have more than compensated for the loss of sales through the on-trade channel. This has created a significant opportunity to further grow Chapel Down and create value for shareholders.

The Board of Chapel Down therefore decided that given the competitive strength of the Wine business, it was in the best interests of the Group and its shareholders to focus on building the Chapel Down wine brand and business and to exit the Curious Drinks business.

The disposal completed on 23 April 2021. Although the disposal was completed after the year end, accounting standards only permit operations to be presented as discontinued if they have been disposed of by the balance sheet date. Accordingly, the Curious Drinks business is classed as a continuing operation in the statement of comprehensive income for the year ended 31 December 2020. To aid understanding and help like-for-like comparisons, we have separately presented the results of the Curious Drinks business from those of the Wines and Spirits business.

The combined business made a loss before tax of £7.860m (2019: loss of £4.285m) with the Wines and spirits delivering a profit before tax of £0.955m (2019: £0.308m) and Curious Drinks recording a loss before tax of (£8.815m) (2019: loss of (£2.401m)) which included an exceptional cost of £6.667m being the write-down of the net assets to nil.

Continuing Operations:

Chapel Down has a long and sustained record of growth. So on a continuing operations basis, I am delighted that we were able to deliver a 32% increase in our turnover to £13.294m (2019: £10.102m) and a 31% increase in our gross profit, to £5.149m (2019: £3.920m).

Administrative expenses on a continuing basis increased by £0.610m, 17% year-on-year reflecting investment in marketing to support national retailers and the growth in direct to consumer sales. EBITDA on a continuing basis increased 76% to a profit of £1.608m (2019: profit of £0.915m)*

To continue to fuel future growth, we were also pleased with another good harvest – our third highest ever. We expect yields to improve long term as viticulture improves and our latest plantings on better sites start to bear fruit. More, better quality fruit will enable us to continue to drive our sparkling wine sales at home and abroad. To process that fruit we will need to invest in further capacity and equipment over the next 2-3 years

We believe the future is very exciting. Aside from the improving quality of the wines and improving long term yields, we also see growing demand from our customers. We are delighted that Tesco have recently (in April 2021) added our flagship Brut NV to their range in 411 stores. Along with Sainsbury, Majestic, Waitrose and Marks and Spencer, Chapel Down is available in more places than any other English wine brand. In addition, our e-commerce business grew by a whopping 467% last year. We will continue to invest in sponsorships, marketing, partnerships and systems to ensure we can continue to grow this business.

Our English Wine sales volume grew by 38% last year, and our sparkling wine sales were up over 50%. To put that into context, Champagne volume sales in the UK fell by 21.7%** in 2020. We believe that the consumer is increasingly looking for brands that are more interesting, relevant and distinctive. As the quality and excitement around English wines continues to grow, both here and abroad, Chapel Down as the industry's leading brand will be at the forefront.

The genesis of a new wine region does not happen very often. Being at the forefront of that is very exciting. Our sparkling wines continue to set the standard for the industry, offering outstanding quality and value at every price tier. The addition of our new Sparkling Bacchus has bridged an important gap in pricing. Our still wines (which are more individual vintage dependent, but much of which can be

CHAPEL DOWN GROUP PLC
GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

released in the year following vintage) have also been winning international accolades and wide critical acclaim particularly at the premium end.

We are at this exciting point because your Company has continued to invest in its brands, its assets and its people to build a healthier, more sustainable company with a really exciting future both at home and abroad in 2021.

In the UK we are the leading brand of English wine. It's one of the biggest markets in the world and has huge growth opportunities. We also continue to see growing demand for English sparkling wines in sophisticated international markets. Whilst still embryonic and focussed on Covid affected high end restaurants and bars, we nevertheless supplied our fourth full year in the USA. We are also exporting to Canada, Barbados, Norway, Denmark, Latvia, Hong Kong, Japan, Australia, New Zealand and China.

Chapel Down will continue to fuel the growth in the English Wine market, interest in which shows no signs of abating and we are preparing for the future. We remain appropriately optimistic about continuing growth in sales in 2021.

Business risks and uncertainties

COVID-19 will continue to pose challenges to all businesses associated with hospitality and leisure. We have mitigated our risk through taking advantage of the Government backed furlough scheme, disposing of our brewery, rapidly developing our e-commerce business to scale at pace and built our off-trade business. COVID-19 poses some risk to the availability of labour for the 2021 harvest. We are preparing alternative harvest labour plans and also extending machine harvesting trials on still wine varieties.

Brexit has had relatively minimal impact on our business to date. In an area of full employment, we may be affected if we were not able to continue to access EU or other foreign workers for our viticulture and to partly mitigate that risk we will continue to trial the latest mechanical picking technology. However, we believe that maintaining and developing a strong brand and building a team of very high quality people are our best defence and we will continue to invest wisely to ensure we are best placed and risk is minimised.

There is a risk of a poor grape harvest through extreme weather events which we mitigate through maintaining the highest standards of viticulture, choosing the very best sites and utilising the latest proven advances in technology and agriculture. We source from a wide geographic area to minimise micro-climatic variations that can blight individual sites. We also mitigate the risk to future growth by building our wine stock. The diversification into spirits, which use the by-products of our wine business, also further protects our ability to continue to grow.

Competition continues to grow but we continue to invest with increasing confidence in our people, brands and distribution to ensure that the business can continue to thrive.

Outlook

There has never been a more exciting time to be involved with English wines.

There are still millions of consumers in the UK who have never experienced the surprise and delight of their first taste. We believe the potential is enormous.

Chapel Down is the leading brand with a product proven over 20 years.

We have an outstanding team of directors and employees who have done an incredible job in the most trying of circumstances last year.

CHAPEL DOWN GROUP PLC
GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

Outlook (continued)

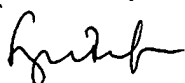
And crucially, we have the support of an army of shareholders.

Thank-you for coming on this journey with us and for using your shareholder benefits to get great discounts.

Thank-you for being the first to rally to the cause when the first lockdown arrived and for ordering prodigious quantities of our wine!

Thanks for your energy and your support.

Thanks for your continuing faith and belief.



Frazer Thompson
Chief Executive Officer

4 June 2021

* Excludes the effect of the Exceptional costs and the FRS 102 Section 26 share option accounting adjustment of £40k (2019: £43k) which is a non-cash item. Refer to note 2.1 "Basis of preparation/accounting policies" for further information.

** Source: Le Expéditions De Vins De Champagne en 2020

CHAPEL DOWN GROUP PLC
SECTION 172 STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

Section 172 statement

The Directors are fully aware of their responsibilities to promote the success of the Company in accordance with section 172 of the Companies Act 2006 and have acted in accordance with these responsibilities during the year.

Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders in their decision making. The Directors continue to have regard to the interests of the Company's employees and other stakeholders, including the impact of its activities on the community, the environment and the Company's reputation, when making decisions. Acting in good faith and fairly between members, the Directors consider what is most likely to promote the success of the Company for its members in the long term.

The Board has identified that its key stakeholders are:

- Employees
- Shareholders
- Customers
- Suppliers
- Community and Environment

Chapel Down's core values are Curiosity, Relentlessness, Fearlessness, Humility and Team Spirit. These values are embedded in our continuous personal development program and ensure that we act consistently in the interests of our stakeholders.

Throughout the year the Board considered the wider impact of strategic and operational decisions on the Company's stakeholders.

Employees

Our employees are key to the long-term success of the Company. All employees receive a thorough induction. We have various engagement mechanisms in place and we use the values above as the glue that binds the team. The senior management team generally meet every Monday to provide a status update and plan the week ahead. Annual employee reviews are conducted in addition to the regular communication between management and employees to ensure that any concerns or issues are identified and resolved. The Company provides training to employees as well as social events to promote the well-being and integrity of the team.

Shareholders

The support and engagement of our shareholders is imperative to the future success of our business. In addition to being shareholders they are invariably customers too. Their engagement is therefore all the more vital. In all of its decision making, the Board ensured that it acted fairly with regard to members of the Company. We have productive ongoing dialogue with a number of our investors. We are in touch with all of our shareholders on a regular basis with information about shareholder meetings and the Company's financial performance. We have regular meetings with institutional investors to understand their views and address any concerns.

Customers

Chapel Down's commercial team is in regular contact with our customer's key people to try to ensure that Chapel Down's products are meeting or exceeding our customer's expectations. With our larger customers we agree on a joint business plan on an annual basis with regular reviews throughout the year.

CHAPEL DOWN GROUP PLC
SECTION 172 STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

Suppliers

We adopt an ethical and equitable approach with all our business partners and suppliers. We strive to have an open, constructive and effective relationship through regular meetings and dialogue which is beneficial for the whole supply chain.

Community and Environment

We are a small business committed to making a positive contribution to the communities in which we operate. Where possible we try to source locally whether that is for our shop, winery, brewery or restaurants. We also support the Arts through our sponsorship activities nationally (eg Donmar and LSO,) and also support local charities (Revelation Ashford) and events. We have a published sustainability position and we ensure we operate as environmentally soundly as we can. We review this position quarterly.

This report was approved by the board on 4 June 2021 and signed on its behalf.



F.D. Thompson
Director

CHAPEL DOWN GROUP PLC
DIRECTORS REPORT FOR THE
YEAR ENDED 31 DECEMBER
2020

The directors present their report and the financial statements for the year ended 31 December 2020.

Directors' responsibilities statement

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The loss for the year, after taxation, amounted to £7,959,572 (2019 - £4,127,185).

The loss for the year, after taxation and minority interests, amounted to £2,800,003 (2019 - loss £2,650,132). The directors do not recommend the payment of a dividend.

Directors

The directors who served during the year were:

J.D. Brooke
J.M. Dunsmore (Resigned 1 July 2020)
M.S. Harvey
F.D. Thompson
R.A.B. Woodhouse
N.W. Wray
M. R. Glenn (Appointed 1 July 2020)
S. H. Emeny
S. A. Wren

S.C. Gilliland was appointed to the board on 19 May 2021.

CHAPEL DOWN GROUP PLC
DIRECTORS REPORT FOR THE
YEAR ENDED 31 DECEMBER
2020 (continued)

Future developments

The future developments of the group are discussed in the 'outlook for the future' section of the Strategic Report.

Financial instruments

The group's principal financial instrument relates to bank loans. The purpose of this financial instrument is to raise finance for the group's operations. The group has various other financial instruments such as trade debtors which arise directly from operations. The group does not enter into derivative transactions.

The main financial risks arising from the group's activities are credit risk and liquidity risk.

These are monitored by the board of directors and were not considered to be significant at the balance sheet date.

Liquidity risk

The group actively manages its financial risk in order to meet its foreseeable needs in the short and medium term. In June 2021 the group agreed a new £15m financing facility with PNC Business Credit which included a £3m term loan and a £12m revolving credit facility. This has replaced the current term loan with HSBC which had £4.8m outstanding at the year end. On 4 June 2021 the group announced a crowdfunding campaign to raise a minimum of £3m via the Seedrs crowdfunding platform. These funds will be used to invest in the growth of the business.

Credit risk

The group's principal financial assets are cash and trade debtors. The directors consider there to be minimal credit risk in respect of the company's cash balances as they are all held in reputable financial institutions. The directors manage credit risk in respect of trade debtors by reviewing outstanding balances and performing credit checks on new customers.

Going concern

Accounting standards required the directors to consider the appropriateness of the going concern basis when preparing the financial statements. Having considered the period to December 2026, the directors confirm that they consider that the going concern basis remains appropriate. COVID-19 lockdowns have impacted the business; however we have been able to maintain a healthy cash position through the support of the Government furlough scheme, the increase in off-trade, rapid growth in online sales and the support of our bank HSBC.

As noted above the existing term loan facility with HSBC which had £4.8m outstanding at the year end has been replaced by a £15m financing facility provided by PNC Business Credit which includes a £3m term loan and £12m revolving credit facility.

The directors believe that, despite the impact of Covid-19 on our on-trade business and our own hospitality venues, the group has sufficient resources to continue in operational existence for the foreseeable future.

The directors believe this to be the case as the group has positive reserves and cash balances as well as significant headroom within the new financing facilities. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**CHAPEL DOWN GROUP PLC
DIRECTORS REPORT FOR THE
YEAR ENDED 31 DECEMBER
2020 (continued)**

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company and the Group's auditor is unaware,
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company and the Group's auditor is aware of that information.

Post balance sheet events

On 9 February 2021 we announced that we intended to dispose of the Curious Drinks business and assets, comprising the Curious Beer and Cider brands and the Curious Brewery and restaurant, to a new company, established at the direction of Risk Capital Partners LLP ("RCP").

The decision followed a strategic review by the Board, which was undertaken as a consequence of the effects of the COVID-19 pandemic on the hospitality industry. As disclosed in our interim results released on 30 September 2020, with 90% of its beer sold to the on-trade, Curious Drinks has been significantly impacted by the closure of pubs, bars, restaurants and hotels and other hospitality venues and events due to the UK Government imposed lockdowns.

In contrast, Chapel Down's Wine and Spirit business, with an established strong brand and a more multichannel route to market has thrived, with overall volume growth of 38% in 2020. Increased focus and sales to supermarkets and other off premise retailers, and booming direct sales on-line have more than compensated for the loss of sales through the on-trade channel. This has created a significant opportunity to further grow Chapel Down and create value for shareholders.

The Board of Chapel Down therefore decided that given the competitive strength of the wine business, it was in the best interests of the Group and its shareholders to focus on building the Chapel Down wine brand and business and to exit the Curious Drinks business.

The disposal completed on 23 April 2021 resulting in an exceptional cost of £6.677m being the write-down of the net assets to nil in Curious Drinks Limited and the write-down of the land on which the brewery is situated.

Auditor

The auditor, Crowe U.K. LLP, will be proposed for reappointment in accordance with section 489 of the Companies Act 2006.

This report was approved by the board on 4 June 2021 and signed on its behalf.



**F. D. Thompson
Director**

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHAPEL DOWN GROUP PLC

OPINION

We have audited the financial statements of Chapel Down Group Plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2020 which comprise:

- the Group statement of comprehensive income for the year ended 31 December 2020;
- the Group and parent company statements of financial position as at 31 December 2020;
- the Group and parent company cash flow statements for the year then ended;
- the Group and parent company statements of changes in equity for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31st December 2020 and of the Group's loss for the period then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included the following:

- We obtained and reviewed management's trading budget for the period to 31 December 2026 and cash flow forecast to 31 December 2026. In addition to the review of arithmetical accuracy, we also discussed the key assumptions with management and ensured they are reasonable with our understanding of the business and sector. The trading budget and cash flow forecast show the group as being profitable and cash generative throughout the forecast period.
- We reviewed the Board minutes and discussed with management any matters not documented in the minutes.
- We enquired with management whether there are any significant subsequent events that may impact on going concern.
- We obtained evidence of the new finance facility signed in June 2021.

In addition to the above, we noted that the group has significant net assets and cash reserves at 31 December 2020.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHAPEL DOWN GROUP PLC (continued)

continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

OVERVIEW OF OUR AUDIT APPROACH

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the group financial statements as a whole to be £250,000 based on 1.1% of net assets and 0.6% of gross assets. In setting materiality we considered the group's business model. The group is building for the future and those who have invested in the business have not done so based on historic trading performance, but on the potential growth of the brand and the value of assets in the group.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We agreed with the Audit Committee to report to it all identified errors in excess of £10,000. Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

OVERVIEW OF THE SCOPE OF OUR AUDIT

The audit procedures have been carried out solely by Crowe U.K. LLP. The audit scope was established during the planning stage and was based around the key matters set out below. The scope included tests of control to establish the clients systems in use are working effectively and tests of detail selecting transactions via sampling techniques.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Conclusion related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHAPEL DOWN GROUP PLC
(continued)

This is not a complete list of all risks identified by our audit.

Key audit matter	How the scope of our audit addressed the key audit matter
<u><i>Stock and work in progress</i></u> <i>The valuation of stock was considered to be a significant risk because it involves detailed calculations and the application of judgement by the directors.</i>	<i>Detailed transactional testing was performed to ensure that stock was valued at the lower of cost and net realisable value.</i> <i>Year end stock counts were attended to verify the existence of stock.</i> <i>Overhead absorption calculations were reviewed in detail to confirm that they were accurately calculated and in line with the requirements of Financial Reporting Standard 102. We also reviewed the consistency of the calculations with the prior year.</i>
<u><i>Impairment of assets in relation to Curious Drinks.</i></u> <i>Curious Drinks has made losses in the prior three financial years and prior to the year end the directors were in discussions regarding the disposal of the trade and assets of the company, which subsequently completed post year end.</i> <i>There was a risk at year end that the impairment charges relating to assets held within Curious Drinks Limited and associated balances within the parent company and group financial statements were not complete or accurately stated as at 31 December 2020.</i>	<i>We obtained a copy of the asset sale agreement in relation to Curious Drinks Limited to assess whether the impairment charges made in the accounts were in accordance with the requirements of Financial Reporting Standard 102 and appropriate disclosures included.</i>
<u><i>Control of Curious Drinks Limited</i></u> <i>This is considered to be a key judgement by the directors and it has a significant impact on the consolidated financial statements.</i>	<i>The situations of control, as prescribed by Financial Reporting Standard 102, were reviewed to assess whether Curious Drinks Limited should be treated as a subsidiary, associate or joint venture. As part of this review we considered the voting rights of the group, the composition of the Curious Drinks Limited board, the power to appoint the majority of board members, and the influence over the operational activities of Curious Drinks Limited.</i>

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

OTHER INFORMATION

The directors are responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHAPEL DOWN GROUP PLC (continued)

in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion based on the work undertaken in the course of our audit

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report and strategic report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the directors' responsibilities statement set out on page 11 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHAPEL DOWN GROUP PLC (continued)

We obtained an understanding of the legal and regulatory frameworks within which the company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006 and taxation legislation.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management. Our audit procedures to respond to these risks included:

- enquiry of management about the Group's policies, procedures and related controls regarding compliance with laws and regulations and if there are any known instances of non-compliance;
- examining supporting documents for all material balances, transactions and disclosures;
- review of the board meeting minutes;
- enquiry of management and review and inspection of relevant correspondence;
- evaluation of the selection and application of accounting policies related to subjective measurements and complex transactions;
- analytical procedures to identify any unusual or unexpected relationships;
- testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; and
- review of accounting estimates for biases.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management. Our audit procedures to respond to these risks included:

- enquiry of management about the Group's policies, procedures and related controls regarding compliance with laws and regulations and if there are any known instances of non-compliance;
- examining supporting documents for all material balances, transactions and disclosures;
- review of the board meeting minutes;
- enquiry of management and review and inspection of relevant correspondence;
- evaluation of the selection and application of accounting policies related to subjective measurements and complex transactions;
- analytical procedures to identify any unusual or unexpected relationships;
- testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; and
- review of accounting estimates for biases.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

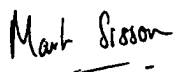
These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHAPEL DOWN GROUP PLC
(continued)

USE OF OUR REPORT

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Mark Sisson (Senior Statutory Auditor)

for and on behalf of

Crowe U.K. LLP

Riverside House
40-46 High Street
Maidstone
Kent ME14 1JH

4 June 2021

CHAPEL DOWN GROUP PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

		2020			2019			
	Notes	Continuing operations	Curious Drinks Limited continuing operations	Total	Continuing operations	Curious Drinks Limited continuing operations	Gin works discontinued operations	Total
		£	£	£	£	£	£	£
Turnover	4	13,294,295	2,265,053	15,559,348	10,101,977	4,698,592	1,311,368	16,111,937
Cost of sales		(8,144,800)	(1,813,956)	(9,958,756)	(6,182,174)	(3,267,275)	(303,288)	(9,752,737)
Gross profit		5,149,495	451,097	5,600,592	3,919,803	1,431,317	1,008,080	6,359,200
Administrative expenses		(4,198,337)	(2,717,164)	(6,915,501)	(3,588,582)	(3,617,250)	(1,952,361)	(9,158,193)
Share based payment charge		(40,434)	-	(40,434)	(42,532)	-	-	(42,532)
Exceptional costs	13	-	(6,677,409)	(6,677,409)	-	-	(1,247,237)	(1,247,237)
Operating profit/(loss)	6	910,724	(8,943,476)	(8,032,752)	288,689	(2,185,933)	(2,191,518)	(4,088,762)
Government Grant Income	5	161,017	384,357	545,374				
Interest receivable and similar income	10	4,736	952	5,688	18,842	3,739	-	22,581
Interest payable and expenses	11	(121,647)	(256,804)	(378,451)	-	(218,910)	-	(218,910)
Profit / (Loss) before taxation		954,830	(8,814,971)	(7,860,141)	307,531	(2,401,104)	(2,191,518)	(4,285,091)
Tax on loss	12	(99,431)	-	(99,431)	157,906	-	-	157,906
Profit / (Loss) for the financial year		855,399	(8,814,971)	(7,959,572)	465,437	(2,401,104)	(2,191,518)	(4,127,185)
Profit / (Loss) for the year attributable to:								
Non-controlling interests		-	(5,159,569)	(5,159,569)	-	(1,477,053)	-	(1,477,053)
Owners of the parent company		855,399	(3,655,402)	(2,800,003)	465,437	(924,051)	(2,191,518)	(2,650,132)
		855,399	(8,814,971)	(7,959,572)	465,437	(2,401,104)	(2,191,518)	(4,127,185)
Adjusted performance measures								
Operating profit / (loss)		910,724	(8,943,476)	(8,032,752)	288,689	(2,185,933)	(2,191,518)	(4,088,762)
Share based payment		40,434	-	40,434	42,532	-	-	42,532
Depreciation and amortisation		657,222	637,180	1,294,402	583,377	409,761	569,808	1,562,946
Exceptional costs		-	6,677,409	6,677,409	-	-	1,247,237	1,247,237
EBITDA excluding share based payment		1,608,380	(1,628,887)	(20,507)	914,598	(1,776,172)	(374,474)	(1,236,048)
Earnings per share (pence)				2020				2019
				£				£
Basic				(1.940)				(1.850)
Diluted				(1.940)				(1.850)
Basic adjusted performance measure				(1.865)				(1.820)
Diluted adjusted performance measure				(1.865)				(1.820)

All earnings attributable to Non-controlling interests relate to continuing operations.

CHAPEL DOWN GROUP PLC
COMPANY REGISTERED NUMBER 04362181

CONSOLIDATED BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2019 £
Fixed assets			
Intangible assets	16	31,815	108,712
Tangible assets	17	<u>21,054,657</u>	<u>27,578,539</u>
		21,086,472	27,687,251
Current assets			
Stocks	19	12,028,863	10,719,361
Debtors: amounts falling due within one year	20	2,987,696	3,368,387
Cash at bank and in hand	21	<u>4,860,611</u>	<u>2,473,457</u>
		19,877,170	16,561,205
Creditors: amounts falling due within one year	22	<u>(6,767,941)</u>	<u>(12,755,963)</u>
Net current assets		13,109,229	3,805,242
Total assets less current liabilities		34,195,701	31,492,493
Creditors: amounts falling due after more than one year	23	(10,397,153)	(17,934)
Provisions for liabilities			
Deferred tax	26	(286,103)	(111,527)
Net assets		23,512,445	31,363,032
Capital and reserves			
Called up share capital	27	7,226,837	7,211,129
Share premium account	28	26,158,571	26,105,728
Revaluation reserve	28	1,028,759	1,067,390
Capital redemption reserve	28	400	400
Profit and loss reserve		<u>(4,010,576)</u>	<u>(1,289,638)</u>
Equity attributable to owners of the parent company		30,403,991	33,095,009
Non-controlling interests		<u>(6,891,546)</u>	<u>(1,731,977)</u>
Shareholders' funds		23,512,445	31,363,032

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 4 June 2021.



F.D. Thompson
 Director



R.A.B. Woodhouse
 Director

The notes on pages 26 to 41 form part of these financial statements.

CHAPEL DOWN GROUP PLC
COMPANY REGISTERED NUMBER 04362181

COMPANY BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2019 £
Fixed assets			
Tangible assets	17	12,251,566	12,001,129
Investments	18	<u>50,000</u>	<u>2,259,165</u>
		12,301,566	14,260,294
Current assets			
Debtors due after more than 1 year	20	11,580,928	18,362,280
Debtors within one year	20	443,097	346,007
Cash at bank and in hand	21	<u>3,087,185</u>	<u>824,186</u>
		15,111,210	19,532,473
Creditors: amounts falling due within one year	22	<u>(1,517,064)</u>	<u>(13,564)</u>
Net current assets		13,594,146	19,518,909
Total assets less current liabilities		25,895,712	33,779,203
Creditors: amounts falling due after more than one year	23	(4,755,638)	-
Provisions for liabilities			
Deferred tax	26	<u>(243,064)</u>	<u>(329,577)</u>
Net assets		20,897,010	33,449,626
Capital and reserves			
Called up share capital	27	7,226,837	7,211,129
Share premium account	28	26,158,571	26,105,728
Revaluation reserve	28	931,845	962,149
Capital redemption reserve	28	400	400
Profit and loss account brought forward	28	(829,780)	283,781
Profit/(loss) for the year		(12,621,167)	(1,143,465)
Other changes in the profit and loss account		<u>30,304</u>	<u>29,904</u>
Profit and loss account carried forward		(13,420,643)	(829,780)
		20,897,010	33,449,626

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 4 June 2021.



F.D. Thompson
 Director



R.A.B. Woodhouse
 Director

The notes on pages 26 to 41 form part of these financial statements.

CHAPEL DOWN GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital	Share premium account	Capital redemption reserve	Revaluation reserve	Profit and loss account	Non- controlling interests	Total equity
	£	£	£	£	£	£	£
At 1 January 2020	7,211,129	26,105,728	400	1,067,390	(1,289,638)	(1,731,977)	31,363,032
Comprehensive Income for the year	-	-	-	-	(2,800,003)	(5,159,569)	(7,959,572)
Loss for the year	-	-	-	-	(2,800,003)	(5,159,569)	(7,959,572)
Total comprehensive income for the year	7,211,129	26,105,728	400	1,067,390	(4,089,641)	(6,891,546)	23,403,460
Shares issued during the year	15,708	52,843	-	-	-	-	68,551
Transfer of excess depreciation charge relating to revaluation of tangible assets	-	-	-	(38,631)	38,631	-	-
Share based payment expense	-	-	-	-	40,434	-	40,434
Provision for Curious Drinks Limited intercompany bad debt	-	-	-	-	-	-	-
Impairment of Investment in Curious Drinks Limited	-	-	-	-	-	-	-
At 31 December 2020	7,226,837	26,158,571	400	1,028,759	(4,010,576)	(6,891,546)	23,512,445

	Called up share capital	Share premium account	Capital redemption reserve	Revaluation reserve	Profit and loss account	Non- controlling interests	Total equity
	£	£	£	£	£	£	£
At 1 January 2019	7,073,473	25,812,929	-	1,106,021	1,279,731	(254,924)	35,017,230
Comprehensive income for the year	-	-	-	-	(2,650,132)	(1,477,053)	(4,127,185)
Loss for the year	-	-	-	-	(2,650,132)	(1,477,053)	(4,127,185)
Total comprehensive income for the year	-	-	-	-	(2,650,132)	(1,477,053)	(4,127,185)
Shares issued during the year	138,056	292,799	-	-	-	-	430,855
Transfer of excess depreciation charge relating to revaluation of tangible assets	-	-	-	(38,631)	38,631	-	-
Share based payment expense	-	-	-	-	42,532	-	42,532
Cancellation of shares	(400)	-	400	-	(400)	-	(400)
At 31 December 2019	7,211,129	26,105,728	400	1,067,390	(1,289,638)	(1,731,977)	31,363,032

The notes on pages 26 to 41 form part of these financial statements.

CHAPEL DOWN GROUP PLC

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital	Share premium account	Capital redemption reserve	Revaluation reserve	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 January 2020	7,211,129	26,105,728	400	962,149	(829,780)	33,449,626
Comprehensive Income for the year	-	-	-	-	(12,621,167)	(12,621,167)
Loss for the year	-	-	-	-	(12,621,167)	(12,621,167)
Total comprehensive income for the year	-	-	-	-	(12,621,167)	(12,621,167)
Shares issued during the year	15,708	52,843	-	-	-	68,551
Transfer of excess depreciation charge relating to revaluation of tangible assets	-	-	-	(30,304)	30,304	-
At 31 December 2020	7,226,837	26,158,571	400	931,845	(13,420,643)	20,897,010

	Called up share capital	Share premium account	Capital redemption reserve	Revaluation reserve	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 January 2019	7,073,473	25,812,929	-	992,453	283,781	34,162,636
Comprehensive Income for the year	-	-	-	-	(1,143,465)	(1,143,465)
Loss for the year	-	-	-	-	(1,143,465)	(1,143,465)
Total comprehensive income for the year	-	-	-	-	(1,143,465)	(1,143,465)
Shares issued during the year	138,056	292,799	-	-	-	430,855
Transfer of excess depreciation charge relating to revaluation of tangible assets	-	-	-	(30,304)	30,304	-
Cancellation of shares	(400)	-	400	-	(400)	(400)
At 31 December 2019	7,211,129	26,105,728	400	962,149	(829,780)	33,449,626

The notes on pages 26 to 41 form part of these financial statements.

CHAPEL DOWN GROUP PLC

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 £	2019 £
Cash flows from operating activities		
Loss for the financial year	(7,959,572)	(4,127,185)
Adjustments for:		
Amortisation of intangible assets	21,203	17,668
Impairments of intangible assets	91,044	-
Depreciation of tangible assets	1,273,201	1,545,278
Impairments of fixed assets	6,586,362	1,347,564
Loss on disposal of tangible assets	19,964	2,011
Share based payment	40,434	42,532
Interest paid	378,451	218,910
Interest received	(5,688)	(22,581)
Taxation charge	99,431	(157,906)
(Increase) in stocks	(1,309,502)	(3,039,659)
Decrease in debtors	380,691	242,371
Increase / (Decrease) in creditors	(539,046)	1,153,084
Corporation tax (paid)	-	(85,214)
Net cash generated from / (used in) operating activities	(923,027)	(2,863,127)
Cash flows from Investing activities		
Purchase of intangible fixed assets	(35,350)	-
Purchase of tangible fixed assets	(1,355,644)	(11,981,602)
Sale of tangible fixed assets	-	23,750
Interest received	5,688	22,581
Net cash used in Investing activities	(1,385,306)	(11,935,271)
Cash flows from financing activities		
Issue of ordinary shares	68,551	430,855
New secured loans	5,000,000	4,230,000
Repayment of loans	(261,693)	-
Interest paid	(111,371)	(218,910)
Net cash from financing activities	4,695,487	4,441,945
Net increase / (decrease) in cash and cash equivalents	2,387,154	(10,356,453)
Cash and cash equivalents at the beginning of the year	2,473,457	12,829,910
Cash and cash equivalents at the end of the year	4,860,611	2,473,457
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	4,860,611	2,473,457

CONSOLIDATED ANALYSIS OF NET DEBT

	At 1 January 2020	Cash Flows	Non-Cash Flows	At 31 December 2020
Cash at bank and in hand	2,473,457	2,387,154		4,860,611
Debt due within 1 year	(7,800,000)	(1,604,743)	7,518,307	(1,886,437)
Debt due more than 1 year	-	(3,133,563)	(7,251,227)	(10,384,790)
	<u>(5,326,543)</u>	<u>(2,351,153)</u>	<u>267,080</u>	<u>(7,410,616)</u>

The notes on pages 26 to 41 form part of these financial statements.

CHAPEL DOWN GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1 General information

The principal activity of the company is that of a holding company. The principal activities of the group are the production and sale of alcoholic beverages.

The company is a public limited company, which is incorporated and registered in England and Wales (Registered number: 04362181).

The address of the registered office is Chapel Down Winery, Small Hythe Road, Tenterden, Kent, TN30 7NG.

2 Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the company and its subsidiaries ("the group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated profit and loss account from the date on which control is obtained. They are deconsolidated from the date control ceases.

Control is deemed to exist over Curious Drinks Limited so this has been treated as a subsidiary in the consolidated financial statements. Further details as to why control exists is noted in note 3.

2.3 Going concern

Accounting standards required the directors to consider the appropriateness of the going concern basis when preparing the financial statements. Having considered the period to December 2026, the directors confirm that they consider that the going concern basis remains appropriate. COVID-19 has impacted the business; however we have been able to maintain a healthy cash position through the support of the Government furlough scheme, the increase in off-trade, rapid growth in online sales and the support of our bank HSBC.

As noted in the Director's report (page 12) the existing term loan facility with HSBC which had £4.8m outstanding at the year end has been replaced by a £15m financing facility provided by PNC Business Credit which includes a £3m term loan and £12m revolving credit facility.

The directors believe that, despite the impact of COVID-19 on our on-trade business and our own hospitality venues, the group has sufficient resources to continue in operational existence for the foreseeable future.

The directors believe this to be the case as the group has positive reserves and cash balances. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2.4 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

Revenue for trade sales is recognised at the point of despatch and retail sales at the point of customer purchase.

Revenue for guided tours is recognised on the date at which the tour takes place.

2.5 Government grants

Grants relate to government support due to COVID-19 and are recognised in the statement of comprehensive income in the same period as the related expenditure.

2.6 Goodwill

Acquired goodwill is written off in equal instalments over 10 years, its estimated useful economic life.

Goodwill arising on consolidation is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities acquired. Goodwill is amortised to the profit and loss account over its estimated economic life of 10 years.

CHAPEL DOWN GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

2 Accounting policies (continued)

2.7 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the methods below:

Depreciation is provided on the following basis:

Freehold land and buildings	- Straight line over 50 years on the buildings and 20 years on Kits Coty Vineyard
Short-term leasehold property	- 10 years straight line
Plant and machinery	- Between 5% - 20% straight line
Motor vehicles	- 25% reducing balance
Fixtures and fittings	- 15% reducing balance
Office equipment	- 5 years straight line
Computer equipment	- 3 years straight line
Biological assets	- 20 years

Land included within Freehold land and buildings is not depreciated.

Assets under construction are not depreciated.

The group owns biological assets in the form of grape vines which are cultivated on land owned and/or leased by the group. The cost of bringing the vines to maturity for the first 3 years of the vines life are capitalised. These costs include attributable overheads as well as capital items that would otherwise have the same economic life as the biological

The biological assets have an expected useful life of 20 years are depreciated over 20 years once all the attributable costs from year 1 to 3 have been capitalised with the depreciation of the asset beginning in year 3 after the vines are planted in year 1. The method used to depreciate these assets takes into account that the 3rd and 4th year bringing a biological asset to maturity will offer restricted harvest before the asset will be matured in year 5. In year 3 the asset is depreciated by a third of the annual depreciation rate. In year 4 the asset is depreciated by two thirds and from year 5 the asset is depreciated for the remaining for 19 years.

2.8 Investment in subsidiaries

Investments in subsidiaries are measured at cost less accumulated impairment.

2.9 Stocks

Stock and work in progress are valued at the lower of cost and net realisable value.

Direct costs of the winery plus attributable overheads are used to value stock. The directors consider that this method is most appropriate for the nature of the company's activities.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the profit and loss account.

2.10 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Certain intercompany loans attract interest at rates that the directors consider to be below market rate. These loans are discounted to their present value using an appropriate discount rate. The impact of the discounting is taken to investments. The discounting is released to the profit and loss account over the term of the loans.

2.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

CHAPEL DOWN GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

2 Accounting policies (continued)

2.12 Financial instruments

The group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the profit and loss account.

2.13 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.14 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

2.15 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.16 Share based payments

The group issues equity-settled share-based payments to certain employees of the company. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest and adjusted for the effects of non market based vesting conditions.

Fair value is measured by use of a Black-Scholes option pricing model.

2.17 Operating leases

Rentals paid under operating leases are charged to the consolidated profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.18 Pensions

Defined contribution pension plan

The group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Once the contributions have been paid the group has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the group in independently administered funds.

2.19 Interest income

Interest income is recognised in the consolidated profit or loss using the effective interest method.

CHAPEL DOWN GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

2 Accounting policies (continued)

2.20 Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by adjusting the earnings and number of shares for the effects of dilutive options and other dilutive potential ordinary shares.

2.21 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

2.22 Current and deferred taxation (continued)

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

3 Judgements in applying accounting policies and key sources of estimation uncertainty

The group makes judgements, estimates and assumptions that affect the application of policies and the carrying values of assets and liabilities, income and expenses. The resulting accounting estimates calculated using these judgements will, by definition, seldom equal the related actual results but are based on the experience of the directors and the expectation of future events. The estimates are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

The principal areas where judgement is exercised are as follows:

Stock - the directors regularly assess the quality and age of stock and will make necessary provisions against amounts which may not be recoverable.

Tangible fixed assets - the directors annually assess both the carrying value and the expected useful life of these assets.

Control of Curious Drinks Limited - For the years ended 31 December 2016 and 2017 Curious Drinks Limited was accounted for as an associate in the consolidated balance sheet as the directors did not consider that Chapel Down Group Plc had control over the entity, but rather significant influence. The opinion changed on 30 January 2018 and since this time Curious Drinks Limited has been treated as a subsidiary, as required under FRS 102. This is considered to be a key judgement by the directors, as it has a significant impact on the consolidated financial statements. In making this judgement the directors considered the voting rights of the group, the financing provided by Chapel Down Group Plc to Curious Drinks Limited, the composition of the Curious Drinks Limited board, the power to appoint the majority of board members, and the influence over the operational activities of Curious Drinks Limited.

Consolidation of Curious Drinks Limited - From 30 January 2018 Curious Drinks Limited has been treated as a subsidiary of Chapel Down Group Plc. In consolidating the results of Curious Drinks Limited the directors have made a number of significant judgements.

The consolidation of Curious Drinks Limited gives rise to certain accounting decisions, the most significant is whether Chapel Down Group Plc should account for its economic interest in Curious Drinks Limited (90.2%) or its interest in the voting rights (49.79%). In making this judgement, the directors have considered the rights of the two classes of shares in Curious Drinks Limited. The holders of the B shares carry no voting rights and are not entitled to participate in the profits of the company or receive dividends. They are entitled to participate in the aggregate proceeds of an exit (sale of Curious Drinks Limited or a listing of Curious Drinks Limited shares) and shall rank pari passu with the A shareholders for such purpose. Based on an analysis of the current position of Curious Drinks Limited the directors consider it appropriate to recognise the non-controlling interest at a rate of 50.2%. As recorded in note 36, Curious Drinks Limited was disposed of on 23 April 2021.

CHAPEL DOWN GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

3 Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

Balance owed from related parties/group entities - The directors annually assess the carrying value of intercompany and related party debt to assess whether a provision needs to be entered against amounts which may not be recoverable.

Discounting loans owed from group entities - Interest is charged on the loan to Curious Drinks Limited at a rate of 2.5%. The directors have assessed that this rate is below the market rate, therefore have discounted the loan to its present value in accordance with the requirements of FRS 102. In making this adjustment the directors have deemed the market rate of interest to be 7%.

Investments - the directors annually assess the carrying value of investments to assess whether an impairment is required.

4 Turnover

The whole of the turnover is attributable to the principal activity of the group, the production and sale of alcoholic beverages.

All of the reported revenue and operational results for the period derive from the group's external customers. All non-current assets are held within the United Kingdom. The group is not reliant on any one customer.

	2020	2019
	£	£
Analysis of turnover by country of destination:		
United Kingdom	15,488,680	16,020,105
Rest of Europe	16,669	3,433
Rest of the world	53,999	88,399
	<u>15,559,348</u>	<u>16,111,937</u>

5 Government grants

	2020	2019
	£	£
Government support due to Covid-19:		
Business Interruption Grants	6,812	-
Business Rates Relief	-	-
Job Retention Scheme Income	538,562	-
	<u>545,374</u>	<u>-</u>

Grants relate to government support due to COVID-19 and are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

In addition to the grants outlined above, the group also received support relating to COVID-19 in the form of a reduction in business rates for the period. The total value of the reduction was £139,264.

6 Operating loss

	2020	2019
	£	£
Operating loss is stated after charging:		
Depreciation of tangible fixed assets	1,273,201	1,545,278
Impairment of tangible fixed assets	6,586,362	-
Amortisation of goodwill	10,228	10,228
Impairment of goodwill	72,444	-
Amortisation of intangible assets, excluding goodwill	29,575	7,440
Exchange differences	-	3,425
Land operating leases	81,959	93,276
Other operating leases	133,217	58,462

7 Auditor's remuneration

Fees payable to the group's auditor and in respect of:

	2020	2019
	£	£
Audit of the financial statements	38,195	30,870
Taxation compliance services	11,135	10,810
Other services relating to taxation	1,000	-
Other services	1,260	5,090
	<u>51,590</u>	<u>46,770</u>

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

8 Employees

Staff costs, including directors' remuneration, were as follows:

	2020	2019
	£	£
Wages and salaries	2,802,729	3,334,279
Social security costs	272,908	330,685
Cost of defined contribution scheme	65,879	72,752
	<u>3,141,516</u>	<u>3,737,716</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2020	2019
	No.	No.
Administration	26	28
Production	33	38
Retail	40	74
Directors	3	4
	<u>102</u>	<u>144</u>

Employment costs include share based payments of £40,434 (2019 - £42,532) relating to the effect of section 26 of FRS 102. This standard requires the directors to attribute a notional cost of non-cash share option agreements to the business over the vesting period of the shares.

9 Directors' remuneration

	2020	2019
	£	£
Directors' emoluments	524,692	617,166
Company contributions to defined contribution pension schemes	3,105	13,075
	<u>527,797</u>	<u>630,241</u>

During the year retirement benefits were accruing to 2 directors (2019 - 4) in respect of defined contribution pension schemes.

The highest paid serving director during the year received remuneration in the year of £144,931 (2019 - £195,408).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £nil (2019 - £4,125).

During the year one director (2019 - two) exercised 119,666 (2019 - 2,588,124) share options and the total exercise price paid to the company was £11,967 (2019 - £318,516). No directors were issued share options during the year (2019 - £nil).

10 Interest receivable

	2020	2019
	£	£
Bank and other interest receivable	5,688	22,581
	<u>5,688</u>	<u>22,581</u>

11 Interest payable and similar expenses

	2020	2019
	£	£
Bank loan interest payable	378,451	218,910

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

12	Taxation	2020 £	2019 £
	Corporation tax		
	UK corporation tax charge on profit for year	-	(25,944)
	Adjustments in respect of prior years	(87,869)	(18,711)
	Total current tax	(87,869)	(44,655)
	Deferred tax		
	Origination and reversal of timing differences	346,775	(97,878)
	Adjustments in respect of prior periods	(155,746)	(15,373)
	Effect of change of tax rate on opening balance	(3,729)	-
	Total deferred tax	187,300	(113,251)
	Taxation on profit / (loss) on ordinary activities	99,431	(157,906)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019 - higher than) the standard rate of corporation tax in the UK of 19.00% (2019 - 19.00%).
The differences are explained below:

	2020 £	2019 £
Loss on ordinary activities before tax	(7,860,142)	(4,285,091)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2019 - 19.00%)	(1,493,425)	(814,167)
Effects of:		
Ineligible depreciation and amortisation	41,910	162,979
Expenses not deductible for tax purposes	1,270,173	6,302
Impairment losses not deductible	-	256,037
Adjustments to tax charge in respect of prior years	(243,615)	(34,084)
Adjust deferred tax to average corporation tax rate	-	69,013
Deferred tax on losses not recognised	(3,729)	-
Tax relief on exercise of share options	(32,252)	(319,376)
Deferred tax on share options previously not recognised	7,683	28,122
Deferred tax on losses not recognised	552,686	487,268
Total tax charge for the year	99,431	(157,906)

Factors that may affect future tax charges

Curious Drinks Limited has £8,367,896 of tax losses to carry forward against future profits. A deferred tax asset of £1,589,900 has not been recognised in respect of the tax losses as the directors do not believe that they can be utilised in the short term.

English Wines Plc has £621,737 of tax losses to carry forward against future losses. A deferred tax asset of £118,130 has been recognised as the group believe the group will generate sufficient taxable profits in the foreseeable future to utilise these losses.

13 Exceptional items

The exceptional costs relate to the impairment of Curious Drinks, totalling £6,677,409. Of this, £6,586,363 relates to the impairment of tangible fixed assets, £18,600 to the impairment of intangible fixed assets, and £72,466 to the impairment of goodwill.

14 Parent company profit for the year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The loss after tax of the parent company for the year was £(12,621,167) (2019 - loss of £1,143,465).

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

15 Earnings per share

The calculation of basic earnings per share is based on the earnings after tax and on a weighted average number of ordinary shares in issue in the period. The diluted earnings per share allows for the effects of all dilutive potential ordinary shares.

	Loss after Tax 2020 *	Loss after Tax 2019	Weighted average number of shares 2020	Weighted average number of shares 2019	Loss per share 2020	Loss per share 2019
	£	£			pence	pence
Basic earnings	(2,800,003)	(2,650,132)	144,345,501	143,042,033	(1.940)	(1.850)
Effect of dilutive share options	-	-	-	-	-	-
Diluted earnings **	<u>(2,800,003)</u>	<u>(2,650,132)</u>	<u>144,345,501</u>	<u>143,042,033</u>	<u>(1.940)</u>	<u>(1.850)</u>
Adjusted earnings per share						
	Loss after Tax 2020 *	Loss after Tax 2019	Weighted average number of shares 2020	Weighted average number of shares 2019	Loss per share 2020	Loss per share 2019
	£	£			pence	pence
Basic earnings	(2,800,003)	(2,650,132)	144,345,501	143,042,033	(1.940)	(1.850)
Add back share based payment	40,434	42,532				
Adjusted earnings	(2,759,569)	(2,607,600)	144,345,501	143,042,033	(1.865)	(1.820)
Effect of dilutive share options	-	-	-	-	-	-
Diluted earnings**	<u>(2,759,569)</u>	<u>(2,607,600)</u>	<u>144,345,501</u>	<u>143,042,033</u>	<u>(1.865)</u>	<u>(1.820)</u>

* Loss after tax attributable to the equity holdings of the parent company

** There is a potential adjustment to the number of shares that would have been issued assuming the exercise of all outstanding share options. The potential ordinary shares are considered anti-dilutive as they decrease the loss per share. Therefore, the diluted loss per share is the same as the basic loss per share in 2020.

16 Intangible assets

Group	Website £	Goodwill £	Total £
Cost			
At 1 January, 2020	37,200	102,276	139,476
Additions	<u>35,350</u>	<u>-</u>	<u>35,350</u>
At 31 December, 2020	<u>72,550</u>	<u>102,276</u>	<u>174,826</u>
Amortisation			
At 1 January, 2020	11,160	19,604	30,764
Charge for the year	10,975	10,228	21,203
Impairment charge	<u>18,600</u>	<u>72,444</u>	<u>91,044</u>
At 31 December, 2020	<u>40,735</u>	<u>102,276</u>	<u>143,011</u>
Net book value			
At 31 December, 2020	<u>31,815</u>	<u>-</u>	<u>31,815</u>
At 31 December, 2020	<u>26,040</u>	<u>82,672</u>	<u>108,712</u>

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 202017 Tangible fixed assets
Group

	Freehold land and buildings £	Short term leasehold properties £	Plant and machinery £	Motor Vehicles £
Cost or valuation				
At 1 January 2020	14,805,017	219,995	10,996,666	35,378
Additions	107,804	-	632,944	-
Disposals	(1,669,950)	-	-	-
At 31 December 2020	13,242,871	219,995	11,629,610	35,378
Depreciation				
At 1 January 2020	2,988,299	70,532	2,450,929	21,788
Charge for the year	268,297	22,000	666,896	3,398
Disposals	(1,669,950)	-	-	-
Impairment charge	4,741,578	-	1,723,178	-
At 31 December 2020	6,328,224	92,532	4,841,003	25,186
Net book value				
At 31 December 2020	6,914,647	127,463	6,788,607	10,192
At 31 December 2019	11,816,718	149,463	8,545,737	13,590

	Fixtures, fittings and equipment £	Biological Assets - Vines £	Total £
Cost or valuation			
At 1 January 2020	1,103,539	6,874,549	34,035,144
Additions	17,504	597,392	1,355,644
Disposals	(59,223)	-	(1,729,173)
At 31 December 2020	1,061,820	7,471,941	33,661,615
Depreciation			
At 1 January 2020	644,474	280,582	6,456,604
Charge for the year	124,719	187,891	1,273,201
Disposals	(39,259)	-	(1,709,209)
Impairment charge	121,606	-	6,586,362
At 31 December 2020	851,540	468,473	12,606,958
Net book value			
At 31 December 2020	210,280	7,003,468	21,054,657
At 31 December 2019	459,065	6,593,967	27,578,540

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

17 Tangible fixed assets (continued)

Company	Freehold land and buildings £	Short term leasehold properties £	Plant and machinery £	Fixtures, fittings and equipment	Biological Assets £	Total £
Cost or valuation						
At 1 January 2020	7,879,863	219,995	839,791	85,053	6,874,549	15,899,251
Additions	14,427	-	-	-	597,392	611,819
Disposals	(1,669,950)	-	-	(6,199)	-	(1,676,149)
At 31 December 2020	6,224,340	219,995	839,791	78,854	7,471,941	14,834,921
Depreciation						
At 1 January 2020	2,739,377	70,532	728,776	78,854	280,582	3,898,121
Charge for the year	111,311	22,000	33,983	-	187,891	355,184
Disposals	(1,669,950)	-	-	-	-	(1,669,950)
At 31 December 2020	1,180,738	92,532	762,759	78,854	468,473	2,583,355
Net book value						
At 31 December 2020	5,043,602	127,464	77,032	-	7,003,468	12,251,566
At 31 December 2019	5,140,486	149,463	111,015	6,199	6,593,967	12,001,131

18 Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2020	2,259,165
Additions	143,090
Impairment	(2,352,255)
At 31 December 2020	50,000

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding
English Wines Plc	Ordinary	100%
Curious Drinks Limited	A Shares	49.79%
	B shares	100%
Chapel Down Group Limited (dormant)	Ordinary	100%

19 Stocks

	Group 2020 £	Group 2019 £
Raw materials and consumables	243,357	257,955
Work in progress	10,091,783	8,171,009
Finished goods and goods for resale	1,693,723	2,290,397
	12,028,863	10,719,361

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

20 Debtors

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Due after more than one year				
Amounts owed by group undertakings	-	-	11,580,928	18,362,280
	-	-	11,580,928	18,362,280

Included within amounts owed by group undertakings is a loan of £11,580,927 due from English Wines Plc. The loan to English Wines Plc attracts interest at a rate of 7% per annum. The loan is not repayable before 1 January 2022.

Included within amounts owed by group undertakings is a loan of £9,799,262 due from Curious Drinks Limited. As at 31 December 2020, a full provision of £9,799,262 was made against the balance owed from Curious Drinks Limited.

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Due within one year				
Trade debtors	2,252,402	2,577,979	-	-
Other debtors	462,244	515,881	380,381	346,007
Prepayments and accrued income	60,089	274,527	-	-
Taxation and social security costs	99,148	-	-	-
Corporation tax receivable	113,813	-	62,716	-
	2,987,696	3,368,387	443,097	346,007

21 Cash and cash equivalents

	Group		Company	
	2020	2019	2020	2019
Cash at bank and in hand	4,860,611	2,473,457	3,087,185	824,186

22 Creditors: Amounts falling due after less than one year

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Bank loans	1,886,437	7,800,000	-	-
Trade creditors	1,850,739	2,479,728	-	-
Corporation tax	-	-	-	-
Other taxation and social security	1,316,272	943,916	-	-
Other creditors	1,477,030	1,392,696	1,501,950	400
Accruals and deferred income	237,463	139,623	15,114	13,164
	6,767,941	12,755,963	1,517,064	13,564

During the period, a security was in place between Chapel Down Group and Curious Drinks Limited in respect of the land on which the brewery is situated. The value of the security was £1,500,000. At the balance sheet date, it is considered that this security has reached the threshold to be regarded as an actual liability (as opposed to a contingent liability), because it is probable that the liability will be incurred through the future sale of the land.

23 Creditors: Amounts falling due after more than one year

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Bank Loans	10,384,790	-	4,755,638	-
Accruals and deferred income	12,363	17,934	-	-
	10,397,153	17,934	4,755,638	-

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

24	Loans	Group 2020 £	Group 2019 £
	Amounts falling due within one year		
	Bank loans	<u>1,886,437</u>	<u>7,800,000</u>

The company has three loan facilities with HSBC Bank Plc: a loan of £4.8m repayable within 5 years which attracts interest at 2.25% over the Bank of England base rate; a loan of £4.7m repayable in equal installments over 7 years and a loan of £2.8m repayable within 5 years.

The loans are secured by a fixed and floating charge over the assets of the company and a first legal charge over the freehold land owned by Chapel Down Group Plc.

There is a subordinate agreement in place between HSBC Bank Plc, Curious Drinks Limited and subordination creditors, Chapel Down Group Plc and English Wines Plc. Subordination creditors rank behind HSBC Bank Plc.

Following the year end, the existing loan facilities with HSBC were replaced with a £15m financing facility provided by PNC Business Credit which includes a £3m term loan and a £12m revolving credit facility.

25	Financial Instruments	Group		Company	
		2020	2019	2020	2019
		£	£	£	£
	Financial assets				
	Financial assets that are debt instruments measured at amortised cost	<u>7,575,257</u>	<u>5,488,850</u>	<u>3,467,566</u>	<u>1,170,144</u>
	Financial liabilities				
	Financial liabilities measured at amortised cost	<u>(17,336,460)</u>	<u>(11,941,040)</u>	<u>(6,272,701)</u>	<u>(13,164)</u>

Financial assets measured at amortised cost comprise amounts owed by associate and group undertakings, trade debtors, other debtors (excluding VAT), accrued income and cash at bank and in hand.

Financial liabilities measured at amortised cost comprise bank loans, trade creditors, other creditors and accruals.

26	Deferred taxation	
	Group	2020 £
	At beginning of year	(98,805)
	Charged to profit or loss	<u>(187,299)</u>
	At end of year	<u>(286,104)</u>
	Company	2020 £
	At beginning of year	(316,855)
	Charged to profit or loss	<u>73,791</u>
	At end of year	<u>(243,064)</u>

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

26 Deferred taxation continued

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Accelerated capital allowances	(544,125)	(766,220)	(243,064)	(329,577)
Short term timing differences	22,687	42,329	-	-
Share options	117,204	104,867	-	-
Tax losses carried forward	118,130	507,497	-	-
	<u>(286,104)</u>	<u>(111,527)</u>	<u>(243,064)</u>	<u>(329,577)</u>

27 Share capital

	2020	2019
	£	£
Allotted, called up and fully paid		
144,500,501 (2019 - 144,186,335) Ordinary shares of £0.050000 each	7,225,025	7,209,317
14,322,158 (2019 - 14,322,158) A1 shares of £0.000100 each	1,432	1,432
3,800,000 (2019 - 3,800,000) A2 shares of £0.000100 each	380	380
	<u>7,226,837</u>	<u>7,211,129</u>

Ordinary shares have full voting rights with 1 vote per share, they are entitled to dividends when proposed and are due a capital distribution on a company exit event.

The A1 and A2 shares have no voting rights and no specific dividend rights unless a special dividend is declared. The A1 and A2 shares only participate in value on a company exit event if the company is worth more than £33.9m at the exit date.

During the year 119,666 ordinary share options were exercised by an employee of the groups at 10p per share, contributing 5p per share to the share premium.

During the year 50,000 ordinary share options were exercised by an employee of the group at 17p per share, contributing 12p per share to share premium.

During the year 147,000 ordinary share options were exercised by an employee of the group at 33p per share, contributing 28p per share to share premium.

At the year end there were 9,160,117 (2019 - 9,082,393) ordinary share options outstanding, see note 29 share based payments for valuations.

28 Reserves

Share premium account

The share premium reserve represents the premium paid by shareholders over the nominal value of the shares purchased.

Revaluation reserve

This reserve represents the revaluation gain on freehold land and buildings, net of deferred tax adjustments.

Capital redemption reserve

This reserve is a statutory, non-distributable reserve into which amounts are transferred following the redemption or purchase of a company's own shares.

Profit and loss account

This reserve holds the accumulation of profits and losses including any dividends paid to shareholders.

CHAPEL DOWN GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

29 Share based payments

	2006 Variable price	2006 Fixed price	2009 Fixed price	2013 Fixed price	2016 Fixed price
Number of share options	3,000,000	3,239,997	3,000,000	11,000,000	430,000
Vesting period (years)	4.4	3.7	4.4	4.6	4
Outstanding at start of year	1,000,000	314,263	1,141,800	4,529,388	362,000
Weighted average exercise price at the start of the year	12.5p	15p	10p	17p	33p
Exercised	-	-	(119,666)	(50,000)	(147,000)
Granted	-	-	-	-	-
Forfeited	-	-	-	-	-
Outstanding at year end	1,000,000	314,263	1,022,134	4,479,388	215,000
Weighted average exercise price at the end of the year	12.5p	15p	10p	17p	33p
	2017 Fixed price	2018 Fixed price	2019 Fixed price	2020 Fixed price	
Number of share options	200,000	840,000	668,942	713,332	
Vesting period (years)	3	3	3	4	
Outstanding at start of year	200,000	866,000	668,942	-	
Weighted average exercise price at the start of the year	81p	84p	87p	76.5p	
Exercised	-	-	-	-	
Granted	-	-	-	713,332	
Forfeited	-	-	(268,942)	(50,000)	
Outstanding at year end	200,000	866,000	400,000	663,332	
Weighted average exercise price at the end of the year	81p	84p	87p	76.5p	

The vesting conditions of all of the schemes require service of the same length as the vesting period.

Between 2003 and 2019 18,572,277 share options were granted. The fair value was calculated by applying the Black Scholes option pricing model. The range of model inputs were the share price at grant date (9p to 84p), exercise price (9p to 88.5p), expected volatility (2% to 35%), vesting period (2 to 4.6 years) and a risk free rate (0.5% to 5.5%). No dividends were expected.

The estimated fair value of the 713,332 share options granted in 2020 is 3.7p. This was calculated by applying the Black Scholes option pricing model. The model inputs were the share price at grant date of 76.5p, exercise price of 76.5p, expected volatility of 7.37%, no expected dividends, vesting period of up to 2 years and a risk free rate 0.10%.

Share options granted in 2020 have an expiry date varying between July 2021 and July 2023 depending on date of grant.

The current year expense resulting from the share options is £40,434 (2019 - £42,532).

The directors believe that the Black Scholes option pricing model is the most appropriate method for calculating the share option charges under Section 26 of FRS 102.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

30 Guarantees and other commitments

At 31 December 2020 there was a guarantee in place in favour of Her Majesty's Revenue and Customs for £270,000 (2019 - £270,000).

31 Pension commitments

The group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £65,879 (2019 - £72,752). Contributions totaling £412 (2019 - £19) were payable to the fund at the balance sheet date and are included in creditors.

32 Commitments under operating leases

At 31 December 2020 the Group and the company had future minimum lease payments under non- cancellable operating leases as follows:

	Group		Group	
	2020		2019	
	£		£	
Other				
Not later than 1 year			87,076	146,216
Later than 1 year and not later than 5 years			43,110	133,691
			<u>130,186</u>	<u>279,907</u>

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Land and buildings				
Not later than 1 year	528,215	449,515	483,115	315,515
Later than 1 year and not later than 5 years	1,900,077	1,486,200	1,839,944	1,262,060
Later than 5 years	<u>5,106,279</u>	<u>5,421,794</u>	<u>5,106,279</u>	<u>5,421,794</u>
	<u>7,534,571</u>	<u>7,357,509</u>	<u>7,429,338</u>	<u>6,999,369</u>

33 Capital commitments

At 31 December 2019 the group had capital commitments totalling £nil (2019 - £nil).

34 Related party transactions

The company has taken advantage of the exemption in section 33 of FRS 102 from the requirement to disclose transactions with wholly owned subsidiaries on the grounds that consolidated financial statements are prepared by the parent company.

During the year Curious Drinks Limited, a non-wholly owned subsidiary of Chapel Down Group Plc, was charged interest of £212,753 (2019 - £193,331) and rent of £120,000 (2019 - £120,000). The company also paid costs on behalf of Curious Drinks Limited totalling £927,171 (2019 - £292,756). At 31 December 2020 £9,799,918 (2019 - £7,772,952) was owed to the company by Curious Drinks Limited. As at 31 December 2020, a full provision of £9,799,262 was made against the balance owed from Curious Drinks Ltd.

Fees of £146,359 (2019 - £171,962) and expenses of £900 (2019 - £1,103) were payable to related parties in respect of investment monitoring, consultancy fees and non-executive director services. At the year-end a balance of £16,813 (2019 - £18,685) was outstanding.

35 Controlling Party

The directors consider that there is not one ultimate controlling party.

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

36 Post Balance Sheet Events

On 9 February 2021 the groups announced the intention to dispose of the Curious Drinks business and assets, comprising the Curious Beer and Cider brands and the Curious Brewery and restaurant, to a new company, established at the direction of Risk Capital Partners LLP ("RCP").

The decision followed a strategic review by the Board, which was undertaken as a consequence of the effects of the COVID-19 pandemic on the hospitality industry. As disclosed in our interim results released on 30 September 2020, with 90% of its beer sold to the on-trade, Curious Drinks has been significantly impacted by the closure of pubs, bars, restaurants and hotels and other hospitality venues and events due to the UK Government imposed lockdowns.

In contrast, Chapel Down's wine and spirit business, with an established strong brand and a more multichannel route to market has thrived, with overall volume growth of 38% in 2020. Increased focus and sales to supermarkets and other off premise retailers, and booming direct sales on-line have more than compensated for the loss of sales through the on-trade channel. This has created a significant opportunity to further grow Chapel Down and create value for shareholders.

The Board of Chapel Down therefore decided that given the competitive strength of the wine business, it was in the best interests of the Group and its shareholders to focus on building the Chapel Down wine brand and business and to exit the Curious Drinks business.

The disposal completed on 23 April 2021 resulting in an exceptional cost of £6.605m being the write-down of the net assets to nil in Curious Drinks Limited and the write-down of the land on which the brewery is situated.

The existing term loan facility with HSBC which had £4.8m outstanding at the year end has been replaced by a £15m financing facility provided by PNC Business Credit which includes a £3m term loan and £12m revolving credit facility.