



CHAPEL DOWN



Chapel Down Group PLC
Annual Report 2014

There is no point in just trying to be the best.
You need to be the only people who can do what you do.



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Our Land

Chapel Down's wines are continuing to excite consumers in the UK and in sophisticated markets across the World. We need more wine. And that means we need more fruit from more vineyards.

Great wine starts with great fruit no matter where you are in the World. The best fruit comes from the right land, with the right aspect, the right location, planted with the right vines and managed by the best people.

Over the years we have learned how to manage the complexities of these variables and how best to mitigate against the risks to get the most consistent supply of great grapes using technology, experience and the best people.

We source fruit from our own land as well as other growers with whom we have long term supply agreements. In the last year we have secured three new blocks of superb land totalling 326 acres on long term leases to ensure that we can continue to meet the growing demand for our wines and that the quality of the fruit continues to improve.

We are very excited about the quality of these sites – all have ideal aspects and soils and are in areas close to existing, proven sites. We will be planting this land over the coming years, which when fully planted will provide up to a million extra bottles of wine per annum.

We will also continue to invest in our winery to ensure that all the effort and energy we expend in securing the best fruit is made into the highest possible quality wine and we can continue to surprise and delight wine lovers everywhere.



Our People

We attract and manage to retain some great people. They are united by a desire not just to make the best products and provide the best service that they can, but to strive to do things that no one else can do. It's not just our love of wine and beer that drives us, but our pleasure in seeing the delight that our customers get from what we do.

And that includes you – our shareholders! We were humbled and delighted by the response to our first ever crowdfunding. In the spirit of the Company, we were the first UK listed company to crowdfund, it was at the time the largest ever UK crowdfund and the fastest funded.

So a special welcome to all of our 1500 new shareholders who became part of the team in 2014. We now have a growing band of pilgrims who are refreshing and converting the wine and beer drinkers to Chapel Down wines and Curious beers and cider that our people can't reach.

Shareholders are also enjoying being part of a growing business with secure assets, great people, exciting prospects and which offers them attractive discounts on the wines and beers they love.



Our Brand

In common with successful drinks companies, the Chapel Down and Curious brands are the most important assets that the company owns. We think we have terrific brands.

With multiple awards, a distinctive and contemporary livery, innovative marketing partnerships, wide distribution and awareness, an improved website and database and growing social media reach, we continue to provide interest and excitement to an increasingly informed consumer who is hungry to engage with brands that provide something other than Corporate cardboard and market research-speak.

Something that's honest, open and interesting from field to throat. That's why they chose our brands. Those values are in our DNA. That's why we have such long term relationships with such great customers.

We were awarded "CoolBrand"™ status in 2014 and were also one of 50 Food and Drink heroes selected by DEFRA to represent the exciting and vibrant British food and drink scene Internationally.

With a very strong balance sheet, thriving brands, excellent people, strong organic growth and exciting opportunities, your Company is in great shape for the future.

Frazer Thompson
Chief Executive Officer



Here are the numbers...

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

Summary

Chapel Down Group PLC is pleased to announce the Group's results for the 12 month period ended 31 December 2014.

Key highlights include:

- Year on year sales up 21% on last year at a record £6.1m (2013: £5.0m)
- EBITDA of £479k (2013: £454k)*
- Pre-tax profit up 175% to £187k (2013: £68k)*
- 2014 yielded largest ever harvest and excellent quality fruit
- Further growth in beer revenues with a 43% increase in turnover
- £3.95m raised in crowdfunding to accelerate growth and expansion
- Net funds at 31 December 2014 of £5.2m (2013: £2.3m)
- Completed three long term land leases totalling 326 acres of prime viticultural land
- Brand continues to thrive and we are one of top 50 Food heroes and a CoolBrand™

2014 was an excellent year with many achievements that have gone a long way to secure an exciting future. In a year of many highlights, even the weather played its part. We enjoyed a record harvest of excellent quality fruit which will ensure that our wines will continue to grow their International reputation in the future and we are able to meet shorter term demand. We raised £3.95m in our record-breaking crowdfunding in September which will enable us to accelerate the development of the brand and business. We have been able to secure 326 acres of new land on long term leases to enable us to plant more vineyards in the finest areas for grape growing to ensure that we can meet anticipated future demand. Our beer business continues to go from strength to strength. The brand is in good health and we were delighted to be nominated as one of the UK's food and drink heroes and officially a CoolBrand™. We are ever more confident of an exciting and rewarding future for the Group.

Performance review

The Group made good progress, achieving a pre-tax profit of £186,860* (2013: £67,722)* and an EBITDA of £478,517* (2013: £453,604*). Our financial performance remains slightly affected by the low levels of grape harvest in 2011 and 2012 which – owing to the ageing required to produce the highest quality sparkling wines – has limited the amount of sparkling wine stock available for sale. However with two large harvests in 2013 and 2014 our stocks have been replenished and we can now plan for further growth. Nevertheless, we had more still wine available for sale in 2014 and our beer sales grew by 43% as we continue to invest in our marketing and sales. Driving our top line sales at healthy margins (36.3% vs 37.4% LY) has been successful with year on year sales up 21% and gross profits up 18%. With sparkling wine still in relatively low growth due to stock shortage and beer growing so rapidly, the margins were slightly lower though this was partially counteracted by growth in our shop and tourism business. We have continued to develop good relationships with our key customers and have continued to win new prestige business. We continue to drive our top line sales and our gross profit to enable us to continue to invest more in the brand, grape supply, production facilities, people and systems for the future.

Business risks and uncertainties

It is encouraging to continue to see an uplift in the UK economy, as this remains our primary market and also encouraging to have had the duty escalator dropped and duty frozen in the last budget. The UK pays a staggering 67% of all the wine duties and taxes collected on wine in the whole EU. We are hopeful that further punitive duty increases are unlikely given the current success of the industry and the economic benefits of its continuing growth. Regardless of future duty increases, maintaining a strong brand is our best defence. However, we will be further broadening our geographic reach through exports of our sparkling wines and beers.

There is a risk that, through extreme weather events, we suffer a poor harvest. The Group maintains the highest standards of viticulture, has rigorous site selection and uses technology to mitigate risk. We source from a wide geographic area to minimise micro-climate risks. The Group has also diversified into beer.

Competition in English wines and premium beers is extensive. Chapel Down continues to invest in its people, brands and distribution to ensure the business can continue to thrive.

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

Outlook

The team was delighted to secure £3.95m of new funding in September 2014 at what was the prevailing share price. The new funds will ensure the Group continues to thrive. We have already made progress on exciting developments. We have secured new vineyards, new equipment, developed new products and hired great people to ensure we continue selling more wine and beer, making better returns and building a long term brand and value.

Our assets are extremely strong: high quality vined land in particular attracts a premium as evidenced by recent transactions. In addition, our brand assets are more valuable and our limited stock more in demand than ever.

With an excellent management team, a very strong balance sheet enhanced by a superb crowdfunding campaign, many new and enthusiastic shareholders and customers and more stock of sparkling wine to become available, we remain confident that the prospects for the Group are excellent.

John Dunsmore
Chairman

23 April 2015

*Excludes the effect of the FRS20 share option accounting adjustment of £173k

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present their report and financial statements for the year ended 31 December 2014.

Directors

The following directors have held office since 1 January 2014 unless otherwise stated:

P. Brett
J.D. Brooke
J.M. Dunsmore
F.D. Thompson
R.A.B. Woodhouse
N.W. Wray

Principal activities and review of the business

The principal activity of the Group continues to be that of producing and selling wine and beer. A review of the business, which includes a review of the key performance indicators of the Group appears in the Strategic Report on pages 6 and 7.

Results and dividends

The consolidated profit and loss account for the year is set out on page 12.

The directors do not recommend payment of an ordinary dividend.

Financial instruments

The financial risk management objectives and policies are discussed in note 26 to the financial statements.

Future developments

The future developments of the Group are discussed in the outlook section of the Strategic Report.

Going concern

Accounting standards require the directors to consider the appropriateness of the going concern basis when preparing the financial statements. The directors confirm that they consider that the going concern basis remains appropriate. The directors believe that 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.

Auditor

In accordance with section 489 of the Companies Act 2006, a resolution proposing that Crowe Clark Whitehill LLP be reappointed as auditor of the Company will be put to the Annual General Meeting.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 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 and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

- 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 Company 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 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.

Provision of information to auditor

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

- so far as that director is aware, there is no relevant audit information of which the Company's auditor are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditor in connection with preparing their report and to establish that the Company's auditor are aware of that information.

On behalf of the board

F.D. Thompson

Director

23 April 2015

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

FOR THE YEAR ENDED 31 DECEMBER 2014

We have audited the Group and Parent Company financial statements of Chapel Down Group PLC for the year ended 31 December 2014, set out on pages 12 to 32. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our audit.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2014 and of the Group's profits for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

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

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

Matters on which we are required to report by exception

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.

Mark Anderson (Senior Statutory Auditor)

For and on behalf of
Crowe Clark Whitehill LLP
Statutory Auditor

4 Mount Ephraim Road
Tunbridge Wells
Kent
TN1 1EE

23 April 2015

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	£	2014 £	£	2013 £
Turnover	2		6,110,351		5,033,361
Cost of sales			(3,894,918)		(3,150,774)
Gross profit			2,215,433		1,882,587
Administrative expenses before share based payment		(2,071,876)		(1,704,224)	
Share based payment (FRS 20)		(172,704)		(44,149)	
Administrative expenses after share based payment			(2,244,580)		(1,748,373)
Operating (loss)/profit	3		(29,147)		134,214
Other interest receivable and similar income			83,082		3,069
Interest payable and similar charges	4		(39,779)		(113,710)
Profit on ordinary activities before taxation			14,156		23,573
Tax on profit on ordinary activities	5		20,575		12,231
Profit on ordinary activities after taxation			34,731		35,804
Minority interest			–		(7,354)
Retained profit for the year			34,731		28,450
Profit on ordinary activities before taxation – excluding FRS 20 share based payments			186,860		67,722
EBITDA excl FRS20 adj.			478,517		453,604

The profit and loss account has been prepared on the basis that all operations are continuing operations.

Earnings per share (pence)	7		
– basic		0.04	0.05
– diluted		0.04	0.05

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 £	2013 £
Profit for the financial year	34,731	28,450
Total gains and losses recognised since last financial statements	34,731	28,450

Note of historical cost profits and losses

	2014 £	2013 £
Reported profit on ordinary activities before taxation	14,156	23,573
Difference between an historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	38,631	38,631
Historical cost profit on ordinary activities before taxation	52,787	62,20
Historical cost profit for the year retained after taxation, exceptional items and dividends	73,362	67,081

BALANCE SHEETS

FOR THE YEAR ENDED 31 DECEMBER 2014

Company Registration No. 04362181 (England and Wales)

	Notes	Group		Company	
		2014 £	2013 £	2014 £	2013 £
Fixed assets					
Intangible assets	8	470,108	518,043	39,597	55,837
Tangible assets	9	5,603,782	5,315,922	4,207,790	4,206,456
Investments	10	–	–	615,082	615,082
		6,073,890	5,833,965	4,862,469	4,877,375
Current assets					
Stocks	11	4,306,826	3,391,591	–	–
Debtors	12	1,308,904	1,073,006	14,350	8,388
Debtors more than 1 yr	12	–	–	4,700,126	3,864,240
Cash at bank and in hand		5,210,188	4,077,734	4,702,175	3,526,193
		10,825,918	8,542,331	9,416,651	7,398,821
Creditors: amounts falling due within one year	13	(1,713,863)	(1,448,535)	(7,369)	(172,205)
Net current assets		9,112,055	7,093,796	9,409,282	7,226,616
Total assets less current liabilities		15,185,945	12,927,761	14,271,751	12,103,991
Creditors: amounts falling due after more than one year	14	(33,255)	(1,672,909)	–	(1,652,293)
Provisions for liabilities					
Deferred tax	15	(68,834)	(89,409)	(26,696)	–
		15,083,856	11,165,443	14,245,055	10,451,698
Capital and reserves					
Called up share capital	16	5,048,503	4,299,464	5,048,503	4,299,464
Share premium account	17	8,554,912	5,592,973	8,554,912	5,592,973
Revaluation reserve	17	1,260,545	1,299,176	1,113,669	1,143,973
Share option reserve	17	449,835	320,473	–	–
Profit and loss account	17	(229,939)	(346,643)	(472,029)	(584,712)
Shareholders' funds	18	15,083,856	11,165,443	14,245,055	10,451,698

Approved by the Board and authorised for issue on 23 April 2015

F.D. Thompson
Director

R.A.B. Woodhouse
Director

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

	Cash Flow Notes	2014 £	2013 £
Net cash (outflow)/inflow from operating activities	1	(257,881)	100,157
Returns on investments and servicing of finance			
Interest received		83,082	3,069
Interest paid		(39,779)	(113,710)
Net cash inflow/(outflow) for returns on investments and servicing of finance		43,303	(110,641)
Taxation		–	(14,280)
Capital expenditure			
Payments to acquire minority stake in subsidiary		–	(495,082)
Payments to acquire tangible assets		(574,885)	(557,383)
Net cash outflow for capital expenditure		(574,885)	(1,052,465)
Net cash outflow before management of liquid resources and financing		(789,463)	(1,077,229)
Financing			
Proceeds from issue of ordinary share capital		4,072,819	4,854,326
Costs of share issue		(361,841)	(302,931)
		3,710,978	4,551,395
New long term loans		–	815,315
Repayment of long term bank loan		(1,652,293)	(183,501)
Repayment of short term bank loan		(136,768)	(785,445)
Net cash inflow from financing	2	1,921,917	4,397,764
Increase in cash in year	2	1,132,454	3,320,535

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

1 Reconciliation of operating (loss)/profit to net cash inflow from operating activities

	2014 £	2013 £
Operating (loss)/profit	(29,147)	134,214
Depreciation of tangible assets	287,025	245,795
Amortisation of intangible assets	47,935	29,446
Share based payments	172,704	44,149
Increase in stocks	(915,235)	(497,697)
Increase in debtors	(235,898)	(410,359)
Increase in creditors	414,735	554,609
Net cash (outflow)/inflow from operating activities	(257,881)	100,157

2 Analysis of net funds

	1 January 2014 £	Cash flow £	Other non- cash changes £	31 December 2014 £
Net cash:				
Cash at bank and in hand	4,077,734	1,132,454	–	5,210,188
	4,077,734	1,132,454	–	5,210,188
Debts falling due within one year	(136,768)	136,768	–	–
Debts falling due after one year	(1,652,293)	1,652,293	–	–
	(1,789,061)	1,789,061	–	–
Net funds	2,288,673	2,921,515	–	5,210,188

3 Reconciliation of net cash flow to movement in net funds/(debt)

	2014 £	2013 £
Increase in cash in the year	1,132,454	3,320,535
Cash outflow from decrease in debt	1,789,061	1,253,631
Movement in net debt in the year	2,921,515	4,574,166
Opening net funds/(debt)	2,288,673	(2,285,493)
Closing net funds	5,210,188	2,288,673

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of freehold land and buildings and in accordance with applicable accounting standards.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

1.3 Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2014. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation. No profit and loss account is presented for Chapel Down Group PLC as permitted by section 408 of the Companies Act 2006. The result of the Parent Company is disclosed in note 6.

1.4 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.

1.5 Goodwill

Acquired goodwill is written off in equal instalments over 15 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 fifteen years.

1.6 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

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

Freehold land and buildings are revalued in accordance with FRS 15 which requires a full valuation every five years and an interim valuation every third year.

1.7 Investments

Fixed asset investments are stated at cost less provision for permanent diminution in value.

1.8 Stock and work in progress

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 the wine stock. The directors consider that this method is most appropriate for the nature of the Group's activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

1 Accounting policies (continued)

1.9 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are not discounted.

1.10 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

1.11 Going concern

Accounting standards require the directors to consider the appropriateness of the going concern basis when preparing the financial statements. The directors confirm that they consider that the going concern basis remains appropriate. The directors have taken notice of the Financial Reporting Council guidance 'Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009' which requires the reasons for this decision to be explained. The directors believe that the Company has sufficient resources to continue in operational existence for the foreseeable future. The directors believe this to be the case as the Company has positive reserves and cash balances. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.12 Share options

The Parent Company issues equity-settled share-based payments to certain employees of the Group. 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 management'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. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

2 Turnover

The total turnover of the Group for the year has been derived from its principal activity.

Segmental analysis by geographical area

The analysis by geographical area of the Group's turnover is set out as below:

	2014	2013
	£	£
Geographical segment		
UK	6,071,208	4,990,280
Other EU	8,762	11,824
Non EU	30,381	31,257
	6,110,351	5,033,361

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

3 Operating profit

	2014 £	2013 £
Operating profit is stated after charging:		
Amortisation of intangible assets	47,935	29,446
Depreciation of tangible assets	287,025	245,795
Loss on foreign exchange transactions	1,598	12,053
Operating lease rentals		
– Land and buildings	24,000	24,000
– Other	49,657	67,108
Fees payable to the Company's auditor for the audit of the Company's annual accounts	5,500	4,750
Fees payable to the Company's auditor for other services		
– The audit of the Company's subsidiaries	16,500	14,250
– Tax compliance services	5,908	5,625
– Other taxation advisory services	9,564	–

In addition to the above the Company's auditor has provided professional services in respect of new shares issued. The total amount charged to the share premium account is £3,675.

4 Interest payable

	2014 £	2013 £
On bank loans and overdrafts	39,779	113,710
Interest paid	39,779	113,710

At 31 December 2013 the Group and Company held a 5 year interest rate swap that reduced the Company's exposure to variability in cash-flows resulting from movements in base rate. This interest rate swap expired on 23 February 2014. During the period to 31 December 2014 no amount was recognised for the loss or gain to date on the effective hedge as the directors do not consider the amount to be significant.

5 Taxation

	Group		Company	
	2014 £	2013 £	2014 £	2013 £
Current tax				
UK corporation tax charge on profit for year	–	(14,280)	–	–
Adjustments in respect of prior years	–	(2,509)	–	–
	–	(16,789)	–	–
Deferred tax				
Origination and reversal of timing differences	43,683	11,748	36,836	(10,942)
Adjustments in respect of prior periods	(64,258)	4,446	(10,140)	1,710
Effect of change in deferred tax rate	–	(11,636)	–	1,192
Total deferred tax	(20,575)	4,558	26,696	(8,040)
Tax on profit on ordinary activity	(20,575)	(12,231)	26,696	(8,040)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

5 Taxation (continued)

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Factors affecting the tax charge for the year				
The tax assessed for the year is lower than the standard rate of corporation tax in the UK 21.49% (2013: 23%)				
The differences are explained below:				
Profit per accounts	14,156	23,573	109,075	(14,168)
Tax on profit on ordinary activities at standard CT rate of 21.49% (2013: 23%)	3,042	5,422	23,440	(3,259)
Effects of:				
Capital allowances in excess of depreciation	(81,409)	(58,359)	(20,127)	(2,374)
Ineligible depreciation and amortisation	27,026	28,475	16,140	24,592
Expenses not deductible for tax purposes	40,112	14,194	–	–
(Utilisation of tax losses)/unused losses	39,714	47,596	(19,453)	21,261
Share option exercise relief	(28,485)	(16,568)	–	–
Loan note conversion	–	(40,220)	–	(40,220)
Adjustments to tax charge in respect of previous year	–	(2,509)	–	–
Losses carried back at lower tax rate	–	5,180	–	–
Current tax charge	–	(16,789)	–	–

Estimated tax losses of the Parent Company to carry forward are £38,952 (2013: £113,332).

6 Profit/(loss) for the financial period

As permitted by section 408 of the Companies Act 2006, the Parent Company's profit and loss account has not been included in these financial statements. The profit/(loss) for the financial year is made up as follows:

	2014	2013
	£	£
Parent Company's profit (2013: loss) for the financial period	82,379	(6,128)

7 Earnings per share

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

	Profit/(loss) after tax		Weighted average number of shares		Earnings per share	
	2014	2013	2014	2013	2014	2013
	£	£			pence	pence
Basic earnings	34,731	35,804	90,839,543	65,404,114	0.04	0.05
Effect of dilutive share options	–	–	7,770,755	5,248,088	–	–
Diluted earnings	34,731	35,804	98,610,298	70,652,202	0.04	0.05

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

8 Intangible fixed assets

Group	Goodwill £
Cost	
At 1 January 2014	719,006
Additions	–
At 31 December 2014	719,006
Amortisation	
At 1 January 2014	200,963
Charge for the year	47,935
At 31 December 2014	248,898
Net book value At 31 December 2014	470,108
At 31 December 2013	518,043

Goodwill in the Company was valued in 2002 on a fair value basis. The historical cost of goodwill is £691,507 (2013: £691,507). The provision for amortisation based on historical cost would have been £218,682 (2013: £173,322) and the charge for the year would have been £45,360 (2013: £26,872).

Company	Goodwill £
Cost	
At 1 January 2014	243,594
Additions	–
At 31 December 2014	243,594
Amortisation	
At 1 January 2014	187,757
Charge for the year	16,240
At 31 December 2014	203,997
Net book value At 31 December 2014	39,597
At 31 December 2013	55,837

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

9 Tangible fixed assets

Group	Freehold land and buildings £	Short term leasehold properties £	Plant and machinery £
Cost or valuation			
At 1 January 2014	4,609,542	–	1,867,369
Additions	88,262	63,451	385,517
At 31 December 2014	4,697,804	63,451	2,252,886
Depreciation			
At 1 January 2014	538,591	–	701,250
Charge for the year	109,939	–	148,996
At 31 December 2014	648,530	–	850,246
Net book value			
At 31 December 2014	4,049,274	63,451	1,402,640
At 31 December 2013	4,070,951	–	1,166,119
	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost or valuation			
At 1 January 2014	271,701	13,781	6,762,393
Additions	37,655	–	574,885
At 31 December 2014	309,356	13,781	7,337,278
Depreciation			
At 1 January 2014	193,364	13,266	1,446,471
Charge for the year	27,961	129	287,025
At 31 December 2014	221,325	13,395	1,733,496
Net book value			
At 31 December 2014	88,031	386	5,603,782
At 31 December 2013	78,337	515	5,315,922

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

9 Tangible fixed assets (continued)

A valuation of the underlying freehold land and buildings was carried out by Savills Plc in February 2015 on the basis of open market value in accordance with RICS appraisal and valuation standards. The directors are of the opinion that open market value of these assets is a reasonable approximation to existing use value. An additional valuation of the two vineyard sites was carried out by the directors who valued this specialised viticultural asset at depreciated replacement cost. No adjustment has been made to the financial statements because in the opinion of the directors the current aggregate valuation is not significantly different to the carrying value as at 31 December 2013 and 2014. The historical cost of freehold land and buildings is £3,213,490 (2013: £3,125,227). The plant and machinery was valued by Edward Symmons and Partners, Surveyors on 26 February 2002. The historical cost of the plant and machinery is £2,231,523 (2013: £1,846,005). Accumulated depreciation based on the historical cost would have been: freehold land and buildings £414,644 (2013: £338,460) and plant and machinery £827,723 (2013: £681,029). The depreciation charge for the year based on historical cost would have been: freehold land and buildings £76,184 and plant and machinery £146,693. Assets costing £717,351 and with accumulated depreciation £94,195 are held for use under operating leases.

Company	Freehold land and buildings £	Short term leasehold properties £	Plant and machinery £	Total £
Cost or valuation				
At 1 January 2014	4,414,218	–	635,500	5,049,718
Additions	60,635	63,451	–	124,086
At 31 December 2014	4,474,853	63,451	635,500	5,173,804
Depreciation				
At 1 January 2014	479,895	–	363,367	843,262
Charge for the year	90,976	–	31,776	122,752
At 31 December 2014	570,871	–	395,143	966,014
Net book value				
At 31 December 2014	3,903,982	63,451	240,357	4,207,790
At 31 December 2013	3,934,323	–	272,133	4,206,456

The freehold land and buildings and plant and machinery were transferred to the Company from its subsidiary English Wines Plc in 2002. Disclosure of the cost of the property is shown in the Group fixed assets summary.

10 Fixed asset investments

Company	Shares in Group undertakings £
Cost or valuation	
At 1 January 2014 and 31 December 2014	615,082

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

10 Fixed asset investments (continued)

In the opinion of the directors, the aggregate value of the Company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

Holdings of more than 20%

The Company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held	
		Class	%
Subsidiary undertakings			
English Wines Plc	England and Wales	Ordinary	100
Curious Drinks Limited	England and Wales	Ordinary	100
Chapel Down Group Limited	England and Wales	Ordinary	100

The principal activity of these undertakings for the last relevant financial year was as follows:

	Principal activity
English Wines Plc	Manufacture and sale of wine
Curious Drinks Limited	Sale of beer
Chapel Down Group Limited	Dormant

11 Stocks and work in progress

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Raw Materials	44,303	–	–	–
Work in progress	3,712,036	3,166,705	–	–
Finished goods and goods for resale	550,487	224,886	–	–
	4,306,826	3,391,591	–	–

12 Debtors

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Trade debtors	1,205,825	955,614	–	–
Other debtors	53,803	54,531	14,350	8,388
Prepayments and accrued income	34,997	48,582	–	–
Corporation tax	14,279	14,279	–	–
	1,308,904	1,073,006	14,350	8,388

Amounts falling due after more than one year and included in the debtors more than one year:

	2014	2013	2014	2013
	£	£	£	£
Amounts owed by Group undertakings	–	–	4,700,126	3,864,240

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

13 Creditors: amounts falling due within one year

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Bank loans and overdrafts	–	136,768	–	136,768
Trade creditors	978,194	589,531	–	–
Corporation tax	369	369	369	369
Taxes and social security costs	291,769	294,072	–	–
Other creditors	380,599	360,991	–	28,600
Accruals and deferred income	62,932	66,804	7,000	6,468
	1,713,863	1,448,535	7,369	172,205

The bank loans and overdraft are secured by a charge over the assets of the Company and by way of a cross guarantee given by English Wines PLC. A debenture has been given in favour of Chapel Down Group PLC over the assets in English Wines PLC. This debenture ranks secondary behind security given to Barclays Bank Plc.

14 Creditors: amounts falling due after more than one year

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Bank loans	–	1,652,293	–	1,652,293
Accruals and deferred income	33,255	20,616	–	–
	33,255	1,672,909	–	1,652,293

Analysis of loans

Not wholly repayable within five years by instalments:

Commercial mortgage	–	363,173	–	363,173
Wholly repayable within five years	–	1,425,888	–	1,425,888
	–	1,789,061	–	1,789,061
Included in current liabilities	–	(136,768)	–	(136,768)
	–	1,652,293	–	1,652,293

Instalments not due within five years

	–	363,173	–	363,173
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Loan maturity analysis

In more than one year but not more than two years	–	140,219	–	140,219
In more than two years but not more than five years	–	1,148,901	–	1,148,901
In more than five years	–	363,173	–	363,173

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

15 Deferred taxation

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
The movements in deferred tax are as follows:				
At 1 January 2014	89,409	84,851	–	8,040
(Released)/charged during year	(20,575)	4,558	26,696	(8,040)
At 31 December 2014	68,834	89,409	26,696	–

The deferred tax (asset)/liability is made up as follows:

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Accelerated capital allowances	206,244	130,623	34,486	13,412
Losses	(103,170)	(41,214)	(7,790)	(13,412)
Share Options	(34,240)	–	–	–
	68,834	89,409	26,696	–

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the tax losses can be utilised.

16 Share capital

Group and Company	2014	2013
	£	£
Allotted, called up and fully paid		
100,970,064 ordinary shares of 5p each	5,048,503	4,299,464

During the year the Company issued 14,120,782 new shares of 5p per share each at 28p per share and the proceeds on issue after expenses were £3,593,237. A further 860,000 share options were exercised during the year and the proceeds received on exercise were £117,741.

788,124 unissued ordinary shares of 5p each are covered by a share option agreement and these are exercisable at 12.5p per share. A further 3,068,526 unissued ordinary shares of 5p each are covered by various share option agreements and these have been exercisable at between 5p and 15p per share since 1 July 2011.

A further 1,491,800 unissued ordinary shares of 5p each are covered by various share option agreements and these have been exercisable at 10p per share since 1 July 2014.

A further 11,000,000 unissued ordinary shares of 5p each are covered by various share option agreements and these are exercisable at 17p per share after 1 July 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

17 Statement of movements on reserves

Group	Share premium account £	Revaluation reserve £	Share option reserve £	Profit and loss account £
Balance at 1 January 2014	5,592,973	1,299,176	320,473	(346,643)
Profit for the year	–	–	–	34,731
Premium on issue of shares net of expenses	2,961,939	–	–	–
Transfer from revaluation reserve to profit and loss account	–	(38,631)	–	38,631
Transfer on exercise of share options	–	–	(43,342)	43,342
Share based payment expense	–	–	172,704	–
Balance at 31 December 2014	8,554,912	1,260,545	449,835	(229,939)

Company	Share premium account £	Revaluation reserve £	Profit and loss account £
Balance at 1 January 2014	5,592,973	1,143,973	(584,712)
Profit for the year	–	–	82,379
Premium on issue of shares net of expenses	2,961,939	–	–
Transfer from revaluation reserve to profit and loss account	–	(30,304)	30,304
Balance at 31 December 2014	8,554,912	1,113,669	(472,029)

18 Reconciliation of movements in shareholders' funds

Group	2014 £	2013 £
Profit for the financial year	34,731	28,450
Issue of shares	749,039	2,058,516
Costs of share issue	(361,841)	(302,931)
Premium on share issue	3,323,780	3,895,810
Minority interest	–	(12,316)
Share based payment expense	172,704	44,149
Net increase in shareholders' funds	3,918,413	5,711,678
Opening shareholders' funds	11,165,443	5,453,765
Closing shareholders' funds	15,083,856	11,165,443

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

18 Reconciliation of movements in shareholders' funds (continued)

Company	2014	2013
	£	£
Profit/(loss) for the financial year	82,379	(6,128)
Issue of shares	749,039	2,058,516
Costs of share issue	(361,841)	(302,931)
Premium on share issue	3,323,780	3,895,810
Net increase in shareholders' funds	3,793,357	5,645,267
Opening shareholders' funds	10,451,698	4,806,431
Closing shareholders' funds	14,245,055	10,451,698

19 Financial commitments

At 31 December 2014 the Group had annual commitments under non-cancellable operating leases as follow:

	Land and buildings		Other	
	2014	2013	2014	2013
	£	£	£	£
Expiry date:				
Within one year	24,000	–	3,374	13,875
Between two and five years	–	24,000	51,442	16,200
More than five years	84,802	–	–	–
	108,802	24,000	54,816	30,075

20 Directors' emoluments

Group		2014	2013
		£	£
Emoluments for qualifying services			
– directors of this Company	Salaries	235,000	208,256
	Benefits	29,331	39,164
		264,331	247,420

2 (2013: 2) directors are entitled to receive shares under long term incentive schemes and exercised share options during the year.

The highest paid director received remuneration of £156,109 (2013: £153,637) and was entitled to receive shares under long term incentive schemes. This director also exercised share options during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

21 Employees

Number of employees

The average monthly number of employees (including executive directors) during the year was:

	2014 Number	2013 Number
Administration	10	9
Production	13	14
Directors	2	2
Retail	14	13
	39	38

Employment costs

	2014 £	2013 £
Wages and salaries	971,994	866,229
Social security costs	102,854	89,041
	1,074,848	955,270
Share based payments	172,704	44,149

Employment costs include £172,704 (2013: £44,149) relating to the effect of adopting the FRS20 accounting standard.

22 Share options

During the period ended 31 December 2014, the Company had five share based payment arrangements in favour of employees of the Group, which are described below:

	2003	2006 Variable price	2006 Fixed price	2009 Fixed price	2013 Fixed price
Date of grant	11 February 2003	27 January 2006	27 January 2006	11 December 2009	15 November 2013
Number granted	1,968,450	3,000,000	3,239,997	3,000,000	11,000,000
Contractual life	3.7 years	4.4 years	4.4 years	3.6 years	4.6 years
Vesting conditions	Service ranging* from 9 months to 3 years 9 months*	4.4 years' service**	4.4 years' service	3.6 years' service	4.6 years' service

* 80% of the shares required service ranging from 9 months to 3 years 9 months.

** 4.4 years' service. A minimum of 2,000,000 options are exercisable at a price of between 5p and 15p per share, depending on the future share price. This option extends to a further two tranches of 500,000 ordinary shares at 5p, again depending on future share price.

The estimated fair value of the 1,968,450 share options granted in 2003 is 2.3p. This was calculated by applying the Black Scholes option pricing model. The model inputs were the share price at grant date of 12.5p, exercise price of 12.5p, expected volatility of 12%, no expected dividends, contractual life of 3.7 years and a risk free interest rate of 4.3%. The options were granted before the shares were listed and so volatility has been based on share price movements from listing, in April 2003, to 31 December 2005.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

22 Share options (continued)

The estimated fair value of each of the 3,000,000 share options granted in 2006 is 7.3p. This was calculated by applying the Black Scholes option pricing model to the two extremes of the variable option and averaging the result. The model inputs were the share price at grant date of 15p, exercise prices of 15p and 5p, expected volatility of 12%, no expected dividends, contractual life of 4.4 years and a risk free interest rate of 5.5%.

The estimated fair value of each of the 3,239,997 share options granted in 2006 is 3.5p. This was calculated by applying the Black Scholes option pricing model. The model inputs were the share price at grant date of 15p, exercise price of 15p, expected volatility of 12%, no expected dividends, contractual life of 4.4 years and a risk free interest rate of 5.5%.

The estimated fair value of each of the 3,000,000 share options granted in 2009 is 5.2p. This was calculated by applying the Black Scholes option pricing model. The model inputs were the share price at grant date of 15p, exercise price of 10p, expected volatility of 9%, no expected dividends, contractual life of 3.6 years and a risk free interest rate of 0.50%.

The estimated fair value of each of the 11,000,000 share options granted in 2013 is 7.3p. This was calculated by applying the Black Scholes option pricing model. The model inputs were the share price at grant date of 20.05p, exercise price of 17p, expected volatility of 35%, no expected dividends, contractual life of 4.5 years and a risk free interest rate of 0.50%.

Further details of the four share option plans are as follows:

	2003		2006		2006		2009		2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at start of year	788,124	12.5p	3,000,000	9.0p	928,526	15.0p	1,491,800	10.0p	11,000,000	17.0p
Exercised	–	–	(400,000)	12.5p	(460,000)	15.0p	–	–	–	–
Granted	–	–	–	–	–	–	–	–	–	–
Forfeited	–	–	–	–	–	–	–	–	–	–
Outstanding at end of year	788,124	12.5p	2,600,000	9.0p	468,526	15.0p	1,491,800	10.0p	11,000,000	17.0p
Exercisable at end of year	788,124	12.5p	2,600,000	9.0p	468,526	15.0p	1,491,800	10.0p	–	–

The options outstanding at 31 December 2014 had exercise prices of 10p, 15p, 12.5p and 5-15p, and a weighted average remaining contractual life of 3.5 years (2013: 4.5 years).

The 860,000 options exercised during the year were sold at 29.25p per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

22 Share options (continued)

	Total	2003	2006 Variable Price	2006 Fixed Price	2009 Fixed Price	2013 Fixed Price
Expense arising from share based payment transactions: share option plans						
2014	172,704	–	–	–	–	172,704
2013	44,149	–	–	–	21,910	22,239

23 Ultimate controlling party

The directors consider that there is no one ultimate controlling party.

24 Related party transactions

The Company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with subsidiaries on the grounds that consolidated financial statements are prepared by the Parent Company.

Fees of £20,000 (2013: £8,333) were payable to P Brett for his services as a non-executive director of the Company. At the year end a balance of £3,333 (2013: £3,333) was outstanding.

Fees of £20,000 (2013: £8,333) were payable to Brendon Street Investments Limited and £3,333 (2013: £3,333) was outstanding at the year end. N Wray, a non-executive director of the Company, is also a director of Brendon Street Investments Limited.

Fees of £50,000 (2013: £25,000) were payable to The Alphagen Volantis Catalyst Fund Limited and £25,000 (2013: £25,000) was outstanding at the year end. J Brooke, a non-executive director of the Company, is also an investment manager at Henderson Alternative Investment Advisor Limited which is the discretionary investment manager of The Alphagen Volantis Catalyst Fund Limited.

Fees of £50,000 (2013: £25,000) were payable to Hothouse Brands Limited and £12,500 (2013: £12,500) was outstanding at the year end. J Dunsmore, a non-executive director of the Company, is also a director of Hothouse Brands Limited.

25 Capital commitments

At 31 December 2014 the Company had capital commitments totalling £230,944 relating to vineyard development work at 2 sites in Kent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

26 Financial risk management objectives and policies

a *Capital management*

The capital structure of the Group consists of cash and shareholders' equity, comprising share capital, reserves and retained earnings (see notes 16, 17 and 18). In managing its capital the Group's main objectives are to ensure that it is able to continue to operate as a going concern as noted in the Strategic Report and to maximise its return to its shareholders. The Group seeks to maintain sufficient funds to meet its working capital and investment requirements.

The Board of Directors reviews the Group's funding requirements regularly throughout the year.

b *Categories of financial assets and liabilities*

The Group's financial assets include cash, trade debtors and other debtors in current assets (see note 12). Its financial liabilities include trade creditors and other creditors in current liabilities (see note 13) and long-term liabilities comprise Accruals and deferred income (see note 14).

These financial instruments arise directly from the Group's operations. As permitted by paragraph 6 and 7 of FRS 13 these short term financial instruments are excluded from analysis in this note.

The Group does not actively engage in the trading of financial instruments for speculative purposes.

c *Financial risks*

The main risks associated with the Group's financial assets and liabilities are interest rate risk, liquidity risk, credit risk, foreign currency risk and commodity price risk, as noted below. The policies for managing these risks are regularly reviewed and agreed by the Board of Directors.

Interest rate risk

The Group finances its operations through shareholder equity, working capital and until 26/09/2014 bank loans. Throughout the year the Group's exposure to interest rate fluctuations was on variable rate loans and its cash deposits which are held at variable rates of interest.

At 31 December 2013 the long term debt consisted of five year term loans which were secured by a first floating charge over the assets of the Group. The loan was repaid in the year following the issue of new shares.

Liquidity risk

The Group manages its liquidity risk by monitoring cash receipts and payments and preparing forecasts to ensure that the Group has sufficient funds to meet its working capital and investment requirements. Capital expenditures are approved by the Board.

Credit risk

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures and are subject to credit limits to control debt exposure. In addition, receivable balances are monitored on an ongoing basis.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents, the group's exposure to credit risk arises from the default of a counterparty, with a maximum exposure equal to the carrying value amount of these instruments. In respect of cash and cash equivalents the counterparties are reputable banks with high quality external credit ratings.

Foreign currency risk

The Group supplies products within Europe and Far East Asia and the transactions are denominated in GBP Sterling. The risk of currency fluctuations is not considered sufficiently significant to take specific steps to mitigate the risk at this time but this matter is regularly reviewed by the board.

Fair value of financial instruments

The Group's financial instruments are carried at cost, which is also considered to be equivalent to their fair value.

Our Directors and Advisers

Directors	P Brett J D Brooke J M Dunsmore F D Thompson R A B Woodhouse N W Wray
Secretary	R A B Woodhouse
Company Number	04362181
Registered Office	Chapel Down Winery Small Hythe Tenterden Kent TN30 7NG
Registered Auditors	Crowe Clark Whitehill LLP Chartered Accountants & Statutory Auditors 4 Mount Ephraim Road Tunbridge Wells Kent TN1 1EE
Bankers	Barclays Bank PLC Kent Team 2nd Floor, 30 Tower View Kings Hill West Malling Kent ME19 4UY
Registrars	Capita Registrars 34 Beckenham Road Beckenham Kent BR3 4TU
Financial Advisers	finnCap 60 New Broad Street London EC2M 1JJ
Solicitors	Cripps LLP Wallside House 12 Mount Ephraim Road Tunbridge Wells Kent TN1 1EG

Company Registration No. 04362181 (England and Wales)



CHAPEL DOWN

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