



CHAPEL DOWN

TENTERDEN ENGLAND



Chapel Down Group PLC
Annual Report 2017



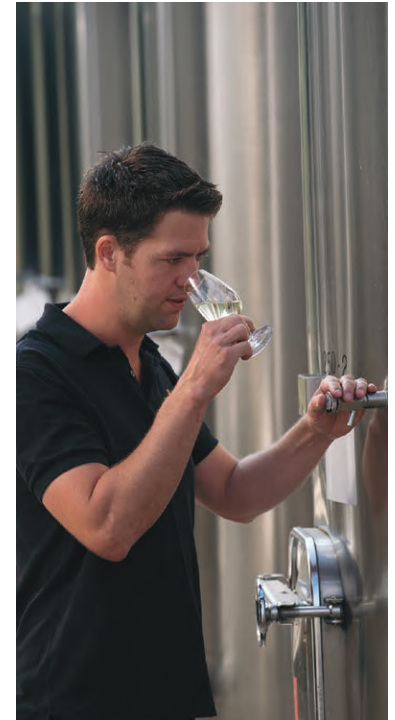
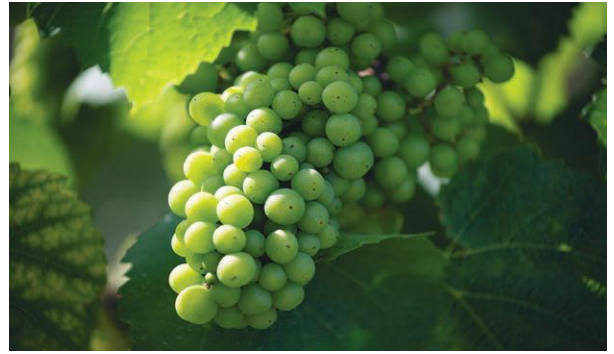
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2017: The Chapel Down Year in Pictures



2017 saw our second highest ever harvest – some 10% ahead of last year.



In April, Kit's Coty Cœur de Cuvée was released and our state-of-the-art tasting room, The Wine Sanctuary, opened at the winery.



The first collection of 'Great Minds Drink Alike' launched in collaboration with ten like minded wineries around the world.



We announced the launch of our first gin and vodka, produced from grapes from our 2016 harvest.





Chapel Down sponsored the Chapel Down Handicap Stakes at Ascot Racecourse in September.



Curious completed on a 1.6 acre site in Ashford for the development of the Curious Brewery.



We toasted Oxford & Cambridge triumphs as the Official Wine of The Boat Races.



In November our seasonal Christmas pop-up opened at Bluewater.

CHAIRMAN'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017



Summary

I am delighted to announce another period of progress in the results for the year ended 31 December 2017.

Key highlights:

- Year on year sales up 15% to £11.796m (2016: £10.233m)*
- Chapel Down Wine sales up 20% to £8.119m (2016: £6.791m)
- Beer and Cider sales (in the associate company Curious Drinks Limited) up 7% to £3.677m (2016: £3.442m)**
- Wine gross profit up 12% at £3.244m (2016: £2.888m)
- Beer and Cider gross profit (in the associate company Curious Drinks Limited) up 11% at £1.224m (2016: £1.099m)
- Continuing EBITDA up 29% to £968k (2016: £750k)*** as we continue to reinvest in our brands, infrastructure and supply
- Completed a Fundraising of £18.53m through the issue of new shares (the "Fundraising") in December 2017 and launched an Open Offer to existing shareholders raising a further £1.47m (the "Open Offer")
- 50 acres of new vineyards planted on our leased sites in Kent
- A Gold medal at The International Wine and Spirits Challenge 2017 Awards for our Kit's Coty Coeur de Cuvee 2013
- Outstanding initial results from our Spirits' launch

Your company continued to build its most important assets – its brands – through innovative and well executed marketing, high profile sponsorships and publicity and a differentiated and creative approach to all our activities.

The new injection of £20m combined with the further enhancement of an outstanding management team is a measure of our intent. There is much to be done.

We will be making substantial investments over the coming years in vineyards, the brewery, commercial infrastructure, people and marketing to ensure that we are best placed for future growth and any industry consolidation.

Our assets are supportive of the business: land – and high quality vined land in particular – continues to appreciate; our brand assets are more valuable than ever; and our balance sheet is extremely strong. We enjoy the custom and support of our many shareholders who tell the Chapel Down story with energy and enthusiasm. Thank you for your faith, your continued encouragement and your enthusiastic support.

* Includes Beer and Cider sales in our associate company Curious Drinks Limited.

** In April 2016 Curious Drinks Limited raised £1.736m for a 9.79% economic share and a 50.21% share of the voting rights in the business. The sale resulted in Chapel Down Group PLC retaining a 49.79% voting share and a 90.21% economic share of Curious Drinks Limited and realising a Gain on Disposal of £467k in 2016. From April 2016 Curious Drinks Limited has been treated as an associate company.

*** Excludes the effect of the FRS 102 Section 26 share option accounting adjustment of £75k (2016: £75k) which is a non-cash item.

John Dunsmore

Chairman

20 April 2018

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017



Introduction

Chapel Down Group PLC is pleased to announce the company's results for the 12 month period ended 31 December 2017.

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

Your company has continued to invest in its brands, its assets and its people to build a healthier, more sustainable and highly innovative drinks company with a really exciting future both at home and abroad.

With sales growth of 15% in the group (up 20% on wine and up 7% on beer and cider), we are able to invest the proceeds to build the business whilst still delivering growth in EBITDA (+29% vs 2016). With 7 years of strong compound growth, Chapel Down is maturing to become a player with serious potential in growth markets. We are seeing good demand for English sparkling wines in sophisticated international markets and we enjoyed our first full year in the USA, reaching our target of 10,000 bottles of sparkling wine with ease.

Performance review

The combined business continued to perform strongly in 2017, with growth in sales and gross profit of both Wine and Beer and Cider.

	Wine			Beer and cider*			Combined businesses		
	FY 2017 £'000	FY 2016 £'000	%age Variance	FY 2017 £'000	FY 2016 £'000	%age Variance	FY 2017 £'000	FY 2016 £'000	%age Variance
Turnover	8,119	6,791	+20%	3,667	3,442	+7%	11,796	10,233	+15%
Gross profit	3,224	2,888	+12%	1,224	1,099	+11%	4,468	3,987	+12%
Gross profit %age	40%	43%		33%	32%		38%	39%	

*In the associate company Curious Drinks Limited

We have made a conscious decision to continue reinvesting any surplus cash in our people, our systems, and our brands. Nonetheless the total business reported Continuing EBITDA of £968k*, compared with £750k* in the year to December 2016.

Gross margin on wine was slightly down due to euro exchange rates and increased cost of raw materials, but remains very healthy.

We believe that there is great potential in our brands. They are well positioned, well managed and in attractive growth markets. We will accelerate our investment in planting new vineyards on the finest land, develop our winery and tourism infrastructure, build out our new brewery in Ashford and continue to innovate and excite the drinks business with initiatives like our gin and vodka.

In addition to being cited as one of the London Stock Exchange's 1000 Companies to Inspire Britain, we are members of the influential Walpole Group of luxury brands and retained our official CoolBrand status. We were also delighted to be official partners of The Boat Races and Royal Ascot for the first time.

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

Performance review (continued)

Wine

Wine sales grew 20% in the year to £8.119m. We have broad premium distribution and a strong base of distribution partners, which include Matthew Clark and Bibendum. We are delighted that the immediate trading situation at Conviviality has been resolved, but we have always been mindful of the need to ensure that we have a variety of partners to reach our customers. We are developing some exciting long term export opportunities, particularly the USA where we hit our first year sales target of 10,000 bottles. We are also growing our direct sales through our own shop, direct online sales, events and pop-ups where we can bring a Chapel Down experience to consumers. Sales in the shop were up to £1.5m (+16%) and our pop-up at Bluewater added £170k to sales and also won "pop-up" of the year at the Industry awards. Our visitor numbers and spend in the shop are both up and the restaurant has also benefited.

Our sparkling wines continue to set the standard for the industry. They are widely available in the on and off trade and supported by headline events and sponsorships such as The Boat Races, Royal Ascot, The Donmar and London Symphony Orchestra. We believe our sparkling portfolio offers outstanding quality and value from £25 to £100. We will manage the sales of these wines to ensure we can build reserve stock to enable us to manage our customers and our growth. With more international accolades and very strong demand from a consumer seeking something more interesting and distinctive than Champagne, we are confident in our plans to double the acreage of vineyards supplying us to over 1,000 acres over the next three to four years. The Company estimates that Chapel Down represents over half of the growth in English sparkling wine in the off trade. Our still wines (which are more individual vintage dependent, but much of which can be released in the year following vintage) have also been winning international accolades and wide critical acclaim particularly at the premium end. As a result we continue to see strong demand and excellent sell through.

In the vineyards we continue to improve the quality of the wines we make through the management of our own vineyards and the spread of good practice with our 24 partner vineyards. We apply the most modern viticultural techniques to ensure we get the finest fruit.

In the winery, the fruit is being made into the best possible wine through the expertise of a young winemaking team who use the latest technology and equipment. In a highly competitive market, both vineyard and winery teams are constantly challenged to surprise and delight, and that spirit is reflected in the innovative wines and products that we have created to ensure we remain at the forefront of consumer's minds. And they find us thanks to the wide availability and constant stream of exciting news about the company and its brands.

The recent fundraise has enabled us to secure an exciting future. We will continue to invest in creating further high quality supply from the best sites we can find. We have planted a further 50 acres this Spring taking the total planted on long term leased land to 172 acres since 2015. We now have 533 acres of vineyard planted from which to source our fruit. We will continue to invest in further capacity and equipment to enhance efficiency and quality in the winery over the coming years, improving our systems and processes as well as building a world class brand and team.

Beer and Cider

Beer and cider sales in our associate company, Curious Drinks Limited, rose 7% to £3.677m. Our growth had to be carefully managed this year as we were forced to change our brewing partners and needed to ensure consistency of supply and exemplary matching of the product to ensure we lost no customers or consumers in the process. We took the opportunity also to refresh our brand identity and make our winemaking links more obvious.

Our growth remains focused on premium accounts – top end restaurants, bars, hotels and premium off trade. We have national distribution through Majestic and Waitrose in the off-trade and a network of wholesalers that enables us to supply Curious beers in draught or bottle to the whole of Great Britain. We are supplying Mitchells & Butlers as well as a number of up and coming on trade groups looking for something truly original. We recently launched our canned Curious Brew in 232 Tesco stores nationally.

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

Performance review (continued)

We have a unique and distinctive consumer proposition – a winemaker’s beer – which is increasingly rare in an exciting and fast-growing beer market. This real point of difference along with the ambition of the team have been enhanced by the addition of a new Managing Director for Beer and Cider, Gareth Bath who joined us in October 2017 from Brewdog where he was MD. This will enhance an already strong management team.

Our real point of difference and our appeal to a broad church of consumers give us a fantastic opportunity. The construction of the new brewery and visitor facility in Ashford is progressing well and should start test brews at the end of 2018 and open in the first quarter of 2019. It is just 38 minutes from St Pancras and its construction will be a further stimulus for growth.

* Excludes the effect of the FRS 102 Section 26 share option accounting adjustment of £75k (2016: £75k) which is a non-cash item.

Principal risks and uncertainties

Brexit has had no significant impact on our business to date. We would be affected, like all agriculturally based businesses, if we were not able to access EU workers for our viticulture. We are lobbying as an industry and are confident that there will be a solution given the strategic and cultural importance of a strong domestic food and drink industry and the growing importance of tourism to our economy. Nevertheless, 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 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. The diversification into beer and spirits also further protects our ability to continue to grow. The risk of a poor hop harvest also exists and the group mitigates this risk by buying forward contracts on its key hops.

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

Outlook for the future

We are lucky to work in a great business. Our drinks are social glue. They tell a story. They are delicious. They are a reason to get together.

We are passionate about growing that congregation – introducing uniquely delicious products to enlightened consumers everywhere.

We are on a pilgrimage to get drinkers to fall in love with our brands so we can share their most special moments with them.

We think there is little point in just simply trying to be the best. That’s simply not good enough any more. We have to be the only people who can do what we do. That excites us and that’s what makes our brands stronger.

We think we have something special. Big brands are under attack as never before from products and brands that are more exciting. Brands that are more interesting and interested. Brands that have a relevant and engaging story to tell. Brands that have a real point of difference. Brands that try harder. Brands like Chapel Down.

The launch of Kits Coty premium wines and the consumer and trade interest in Chapel Down will continue to fuel the English wine market, interest in which shows no signs of abating. We remain appropriately optimistic about continuing growth in sales in 2018. We will be securing sites for a further 500 acres of new vineyards over the coming years as the industry grows and we remain its leading brand.

Beer and cider growth will be accelerated as we build out the brewery and create more interest and engagement around the Curious brand. Recent listings in Tesco and on trade chains are exciting.

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

Outlook for the future (continued)

Last year we saw the opportunity to add a winemaker's expertise to the growing gin and vodka industry and created Chapel Down gin and vodka using the skins of our Bacchus and Chardonnay grapes. Immediately listed nationally in all Majestic stores in December, it is now also available in leading on trade accounts such as Le Gavroche, Roux at Landau, Le Manoir aux Quat'Saisons, Roast, Paris House, The Ned, Hospital Club, Hix, Selfridges and Harvey Nichols. Both products have received wide critical acclaim. These beautiful bottles give us an even more powerful portfolio and a further growth opportunity which we will develop this year.

Finally – to all our shareholders, thank-you. Its great to see so many of you using your shareholder benefits to get great discounts on our wines, beers and spirits. The energy, support and excitement that you create is something the whole team appreciate.

So let's raise a glass. To you. To us. The curious optimists. The believers.

This report was approved by the board on 20 April 2018 and signed on its behalf.

F.D. Thompson
Director

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

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;
- 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 profit for the year, after taxation, amounted to £122,411 (2016: £646,822).

Directors

The directors who served during the year were:

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

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.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

Financial instruments (continued)

Liquidity risk

The group actively manages its financial risk in order to meet its foreseeable needs in the short and medium term. In December 2017 the group completed a fundraising of £18.53m through the issue of new shares and launched an open offer to existing shareholders raising a further £1.47m. 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. 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.

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, and
- 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 12 January 2018 2,940,000 Ordinary shares were issued following an Open Offer to existing shareholders which was announced in December 2017. The shares were issued at nominal value at a price of £0.50 per share.

Auditor

The auditor, Crowe Clark Whitehill LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 20 April 2018 and signed on its behalf.

F.D. Thompson

Director

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

FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017, which comprise:

- the group profit and loss account and statement of comprehensive income for the year ended 31 December 2017;
- the group and parent company balance sheets as at 31 December 2017;
- the group statement of cash flows 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 the preparation of the group and parent company financial statements 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 31 December 2017 and of the Group's profit for the period then ended;
- the group and parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- The directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

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. This represents 0.74% of net assets and 0.63% 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. This is evidenced by the fact that £18,530,000 was raised in December 2017 despite an interim reported loss of £91,965, and a trading history of profits less than £300,000. The current market capitalisation of the group is £79 million. This gives a price to earnings ratio of 679. It is our opinion that the value of the business has not been derived through the historic trading results, but through the potential of the brand and future profitability and growth, therefore currently profit is not considered the most appropriate benchmark for materiality. Overall, materiality was set using asset values.

We used 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 the audit of related party transactions and directors' remuneration.

We agreed with the board to report to it all identified errors in excess of £5,000. Errors below that threshold would also be reported to the board if, in our opinion as auditor, reporting was required on qualitative grounds.

Overview of the scope of our audit

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 random sampling techniques. The audit field work was completed at the head office and onsite visits to the winery were made to audit the year-end stock counts. The parent company, subsidiary company and associate company were all audited by Crowe Clark Whitehill LLP and no component auditors were used.

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.

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

FOR THE YEAR ENDED 31 DECEMBER 2017 (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
Stock and Work in Progress	<p>The valuation of stock was considered to be a significant risk because it involves detailed calculations and the application of judgement by the directors.</p> <p>Detailed transactional testing was performed to ensure that stock was valued at the lower of cost or net realisable value.</p> <p>A year end stock count was attended to verify the existence of stock.</p> <p>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.</p>
Revenue Recognition	<p>There is a presumption under International Standard on Auditing 240 (paragraph 110) that there is always a risk of material misstatement to the financial statements as a result of revenue recognition errors.</p> <p>The revenue recognition policies adopted by management were reviewed to ensure that revenue is only recognised when the risks and rewards of ownership have been transferred.</p> <p>Revenue was reviewed for overstatement by performing detailed transaction testing for a sample of transactions from the nominal ledger, through to sales invoices, despatch notes and sales orders.</p> <p>Revenue was reviewed for completeness by performing detailed transaction testing for a sample of sequential sales transactions from the first point of order through to dispatch.</p> <p>Cut off testing was performed to ensure that revenue recognised immediately before or after the year end was accounted for in the correct financial period.</p>
Recoverability of Intercompany/Related Party Debt	<p>Included within the company balance sheet of Chapel Down Group PLC are significant debtor balances owed by Curious Drinks Limited and English Wines PLC. The carrying value of the loans significantly exceed the net assets in each company therefore a risk exists that the debts may not be recoverable.</p> <p>The recoverability of the balances was considered by reviewing the detailed profit forecasts and challenging management on the assumptions used in the forecasts.</p>
Control of Curious Drinks Limited	<p>From April 2016 Curious Drinks Limited has been accounted for as an associate in the consolidated Balance Sheet as the directors do not consider that Chapel Down Group PLC has control over the entity, but rather significant influence. This is considered to be a key judgement by the directors, as it has a significant impact on the consolidated financial statements.</p> <p>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.</p>

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

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

Key audit matter	How the scope of our audit addressed the key audit matter
Carrying value of investments	<p>Given the loss incurred in Curious Drinks Limited in the year, a risk exists that the investment in this company may be impaired.</p> <p>The carrying value of the balance was considered by performing a detailed review of the profit forecasts and challenging management on the assumptions used in the forecasts. Management prepared a valuation in use calculation using a discounted cash flow. As part of our audit we reviewed the inputs used in the calculation and sensitised a range of variables.</p>
Management override of controls	<p>In any business management are best placed to circumvent systems of internal control, therefore under International Standards on Auditing this is a presumed significant audit risk.</p> <p>As part of our audit procedures, we reviewed nominal ledger codes for evidence of unusual transactions, inappropriate journal entries and transactions made outside the normal control process. We also reviewed estimates and judgements made by management for evidence of bias, either individually or collectively.</p>

Other information

The directors are responsible for the other information. 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.

In connection with our audit of the financial statements, 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

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

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 9, 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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.

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.

Keith Newman (Senior statutory auditor)

for and on behalf of
Crowe Clark Whitehill LLP
Statutory Auditor

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

20 April 2018

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017		Total £	2016		Total £
		Continuing operations £	Discontinued operations £		Continuing operations £	Discontinued operations £	
Turnover	4	8,119,453	–	8,119,453	6,791,014	539,356	7,330,370
Cost of sales		(4,875,034)	–	(4,875,034)	(3,903,342)	(369,555)	(4,272,897)
Gross profit		3,244,419	–	3,244,419	2,887,672	169,801	3,057,473
Administrative expenses		(2,698,528)	–	(2,698,528)	(2,466,688)	(211,950)	(2,678,638)
Share based payment		(75,416)	–	(75,416)	(74,868)	–	(74,868)
Operating profit	5	470,475	–	470,475	346,116	(42,149)	303,967
Share of loss from associate		(226,329)	–	(226,329)	(27,805)	–	(27,805)
Gain on disposal		–	–	–	–	466,903	466,903
Interest receivable and similar income	9	27,394	–	27,394	22,061	–	22,061
Interest payable and similar expenses	10	(18,425)	–	(18,425)	–	–	–
Profit before tax		253,115	–	253,115	340,372	424,754	765,126
Tax on profit	11	(130,704)	–	(130,704)	(111,691)	(6,613)	(118,304)
Profit for the financial year		122,411	–	122,411	228,681	418,141	646,822
Profit for the year attributable to:							
Owners of the parent		122,411	–	122,411	228,681	418,141	646,822
Adjusted Performance Measures							
Adjusted pre-tax profit							
Profit/(loss) on ordinary activities before taxation		253,115	–	253,115	340,372	424,754	765,126
Share based payment		75,416	–	75,416	74,868	–	74,868
		328,531	–	328,531	415,240	424,754	839,994
Adjusted EBITDA							
Operating profit/(loss)		470,475	–	470,475	346,116	(42,149)	303,967
Share based payment		75,416	–	75,416	74,868	–	74,868
Depreciation		375,622	–	375,622	282,388	21,917	304,305
Amortisation		46,221	–	46,221	46,221	–	46,211
EBITDA excluding share based payment		967,734	–	967,734	749,593	(20,232)	729,361
Earnings per share (pence)	13						
– Basic				0.118			0.64
– Diluted				0.109			0.60
– Basic adjusted performance measure				0.190			0.71
– Diluted adjusted performance measure				0.176			0.67

The notes on pages 25 to 42 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 £	2016 £
Profit/(loss) for the financial year	122,411	646,822
Other comprehensive income		
Deferred tax movement relating to share options	–	65,251
Deferred tax movement relating to revaluation of tangible assets	–	148,264
Other comprehensive income for the year	–	213,515
Total comprehensive income for the year	122,411	860,337

The notes on pages 25 to 42 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2017

	Note	2017		2016	
		£	£	£	£
Fixed assets					
Tangible assets	14		10,302,885		7,887,485
Investments	15		642,027		914,577
			10,944,912		8,802,062
Current assets					
Stocks	16	4,561,202		4,460,808	
Debtors due within 1 year	17	2,783,744		2,841,012	
Debtors due after more than 1 year	17	1,463,377		1,127,407	
Cash at bank and in hand	18	19,716,585		1,225,528	
		28,524,908		9,654,755	
Creditors: amounts falling due within one year	19	(3,505,496)		(2,424,615)	
Net current assets			25,019,412		7,230,140
Total assets less current liabilities					
Creditors: amounts falling due after more than one year	20		(1,825,859)		(21,414)
Provisions for liabilities					
Deferred tax	23	(223,572)		(107,090)	
			(223,572)		(107,090)
Net assets			33,914,893		15,903,698
Capital and reserves					
Called up share capital			6,905,860		5,051,510
Share premium account	25		24,513,930		8,554,912
Revaluation reserve	25		1,144,652		1,183,283
Profit and loss account	25		1,350,451		1,113,993
			33,914,893		15,903,698

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 20 April 2018.

F.D. Thompson
Director

R.A.B. Woodhouse
Director

The notes on pages 25 to 42 form part of these financial statements.

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2017

	Note	2017		2016	
		£	£	£	£
Fixed assets					
Tangible assets	14		8,573,531		6,191,698
Investments	15		623,833		623,833
			9,197,364		6,815,531
Current assets					
Debtors due after more than 1 year	17	6,611,950		6,621,997	
Debtors due within 1 year	17	386,816		515,476	
Cash at bank and in hand	18	18,976,583		629,392	
		25,975,349		7,766,865	
Creditors: amounts falling due within one year	19	(839,513)		(62,438)	
Net current assets			25,135,836		7,704,427
Total assets less current liabilities					
Creditors: amounts falling due after more than one year	20		(1,804,980)		–
Provisions for liabilities					
Deferred tax	23	(149,124)		(58,240)	
			(149,124)		(58,240)
Net assets			32,379,096		14,461,718
Capital and reserves					
Called up share capital			6,905,860		5,051,510
Share premium account	25		24,513,930		8,554,912
Revaluation reserve	25		1,022,757		1,053,061
Profit and loss account brought forward		(197,765)		(393,034)	
Profit for the year		104,010		164,965	
Other movements		30,304		30,304	
Profit and loss account carried forward			(63,451)		(197,765)
			32,379,096		14,461,718

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 20 April 2018.

F.D. Thompson
Director

R.A.B. Woodhouse
Director

The notes on pages 25 to 42 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital £	Share premium account £	Revaluation reserve £	Profit and loss account £	Total equity £
At 1 January 2017	5,051,510	8,554,912	1,183,283	1,113,993	15,903,698
Comprehensive income for the year					
Profit for the year	–	–	–	122,411	122,411
Total comprehensive income for the year	–	–	–	122,411	122,411
Shares issued during the year	1,854,350	15,959,018	–	–	17,813,368
Transfer of excess depreciation charge relating to revaluation of tangible assets	–	–	(38,631)	38,631	–
Share based payment expense	–	–	–	75,416	75,416
At 31 December 2017	6,905,860	24,513,930	1,144,652	1,350,451	33,914,893

The notes on pages 25 to 42 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital £	Share premium account £	Revaluation reserve £	Profit and loss account £	Total equity £
At 1 January 2016	5,051,510	8,554,912	1,073,650	288,421	14,968,493
Comprehensive income for the year					
Profit for the year	–	–	–	646,822	646,822
Deferred tax movement relating to share options	–	–	–	65,251	65,251
Deferred tax movement relating to revaluation of tangible assets	–	–	148,264	–	148,264
Total comprehensive income for the year	–	–	148,264	712,073	860,337
Transfer of excess depreciation charge relating to revaluation of tangible assets	–	–	(38,631)	38,631	–
Share based payment expense	–	–	–	74,868	74,868
At 31 December 2016	5,051,510	8,554,912	1,183,283	1,113,993	15,903,698

The notes on pages 25 to 42 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital £	Share premium account £	Revaluation reserve £	Profit and loss account £	Total equity £
At 1 January 2017	5,051,510	8,554,912	1,053,061	(197,765)	14,461,718
Comprehensive income for the year					
Profit for the year	–	–	–	104,010	104,010
Total comprehensive income for the year	–	–	–	104,010	104,010
Shares issued during the year	1,854,350	15,959,018	–	–	17,813,368
Transfer of excess depreciation charge relating to revaluation of tangible assets	–	–	(30,304)	30,304	–
At 31 December 2017	6,905,860	24,513,930	1,022,757	(63,451)	32,379,096

The notes on pages 25 to 42 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital £	Share premium account £	Revaluation reserve £	Profit and loss account £	Total equity £
At 1 January 2016	5,051,510	8,554,912	935,101	(393,034)	14,148,489
Comprehensive income for the year					
Profit for the year	–	–	–	164,965	164,965
Deferred tax movement relating to revaluation of tangible assets	–	–	148,264	–	148,264
Total comprehensive income for the year	–	–	148,264	164,965	313,229
Transfer of excess depreciation charge relating to revaluation of tangible assets	–	–	(30,304)	30,304	–
At 31 December 2016	5,051,510	8,554,912	1,053,061	(197,765)	14,461,718

The notes on pages 25 to 42 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 £	2016 £
Cash flows from operating activities		
Profit for the financial year	122,411	646,822
Adjustments for:		
Amortisation of intangible assets	46,221	46,221
Depreciation of tangible assets	375,622	304,305
Loss on disposal of assets	–	15,013
Gain on disposal of subsidiary	–	(466,903)
Share of operating profit in associates	226,329	27,805
Share-based payments	75,416	74,868
Interest paid	18,425	–
Interest receivable	(27,394)	(22,061)
Taxation charge	130,704	118,304
(Increase) in stocks	(100,394)	(179,895)
(Increase) in debtors	(278,702)	(983,667)
Increase in creditors	913,222	165,712
Corporation tax (paid)/received	(12,055)	–
Net cash generated from operating activities	1,489,805	(253,476)
Cash flows from investing activities		
Payments to acquire tangible assets	(2,791,022)	(1,604,830)
Interest received	155	22,061
Associates interest received	27,239	–
Cash disposed on sale of subsidiary	–	(250)
Net cash from investing activities	(2,763,628)	(1,583,019)
Cash flows from operating activities		
Issue of ordinary shares	17,813,368	–
New secured loans	2,000,000	–
Repayment of loans	(30,063)	–
Interest paid	(18,425)	–
Net cash used in financing activities	19,764,880	–
Net increase/(decrease) in cash and cash equivalents	18,491,057	(1,836,495)
Cash and cash equivalents at beginning of year	1,225,528	3,062,023
Cash and cash equivalents at the end of year	19,716,585	1,225,528
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	19,716,585	1,225,528
	19,716,585	1,225,528

The notes on pages 25 to 42 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1 General information

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

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 following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the company and its own 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.

2.3 Associates and joint ventures

An entity is treated as a joint venture where the group is a party to a contractual agreement with one or more parties from outside the group to undertake an economic activity that is subject to joint control.

An entity is treated as an associated undertaking where the group exercises significant influence in that it has the power to participate in the operating and financial policy decisions.

In the consolidated accounts, interests in associated undertakings are accounted for using the equity method of accounting. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investors share of the profit or loss, other comprehensive income and equity of the associate. The consolidated profit and loss account includes the group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings applying accounting policies consistent with those of the group. In the consolidated balance sheet, the interests in associated undertakings are shown as the group's share of the identifiable net assets, including any unamortised premium paid on acquisition.

Any premium on acquisition is dealt with in accordance with the goodwill policy.

2.4 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

2 Accounting policies (continued)

2.5 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.

2.6 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.

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.

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

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 assets.

The biological assets 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 by the full rate 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

2 Accounting policies (continued)

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.

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.

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 consolidated 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.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated profit and loss account except when deferred in other comprehensive income as qualifying cash flow hedges.

2.15 Finance costs

Finance costs are charged to the consolidated profit and loss account 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 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 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. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

2 Accounting policies (continued)

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 the consolidated profit and loss account 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 and loss account using the effective interest method.

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 the consolidated profit and loss account, 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 and the group operate and generate 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

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

The company 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 – Prior to 4 April 2016 Curious Drinks Limited was a 100% subsidiary of Chapel Down Group PLC. In April 2016, Curious Drinks Limited raised funds of £1.736m for a 9.79% economic share and a 50.21% share of the voting rights in the business with Chapel Down Group PLC retaining the remaining 90.21% economic interest and the remaining 49.79% share of the voting rights. From April 2016 Curious Drinks Limited has been accounted for as an associate as Chapel Group Group PLC was not deemed to have control of the entity. This is a key accounting judgement. In making this judgement the directors considered the voting power of Chapel Down Group PLC and the company's ability to exercise dominant influence.

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. No discounting is applied to the loans as the directors consider that a market rate of interest is charged on the loans.

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 and no customer accounts for more than 10% of the total revenues.

Analysis of turnover by country of destination:

	2017	2016
	£	£
United Kingdom	8,054,324	7,257,700
Rest of Europe	9,227	20,568
Rest of the world	55,902	52,102
	8,119,453	7,330,370

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

5 Operating profit

The operating profit is stated after charging:

	2017	2016
	£	£
Depreciation of tangible fixed assets	375,622	304,305
Amortisation of goodwill	46,221	46,221
Exchange differences	1,113	1,028
Land operating leases	39,500	81,959
Other operating leases	46,517	80,692

6 Auditor's remuneration

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

	2017	2016
	£	£
Fees payable to the group's auditor for the audit of the group's annual financial statements	23,200	16,560
Taxation compliance services	8,500	4,764
Other services relating to taxation	1,600	3,274
Preparation of the financial statements	2,750	–
	36,050	24,598

7 Employees

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

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Wages and salaries	1,909,156	1,467,003	–	–
Social security costs	181,239	149,585	–	–
Cost of defined contribution scheme	16,438	13,985	–	–
	2,106,833	1,630,573	–	–

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

	2017	2016
	No.	No.
Administration	18	15
Production	19	18
Retail	20	16
Directors	3	3
	60	52

Employment costs include share based payments of £75,416 (2016: £74,868) relating to the effect of section 26 of FRS 102 accounting standard. This standard requires the directors to attribute a notional costs of non-cash share option agreements to the business over the vesting period of the shares.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

8 Directors' remuneration

	2017 £	2016 £
Directors' emoluments	471,736	397,407
Company contributions to defined contribution pension schemes	3,500	3,500
	475,236	400,907

During the year retirement benefits were accruing to 3 directors (2016: 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £222,778 (2016: £164,440).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £1,500 (2016: £1,500).

No share options were granted to or exercised by directors (2016: Nil).

9 Interest receivable

	2017 £	2016 £
Interest received from associate undertakings	27,239	12,794
Bank and other interest receivable	155	9,267

10 Interest payable and similar charges

	2017 £	2016 £
Other loan interest payable	18,425	–

11 Taxation

	2017 £	2016 £
Corporation tax		
Current tax on profits for the year	57,064	53,841
Adjustments in respect of previous periods	(42,842)	–
Total current tax	14,222	53,841
Deferred tax		
Origination and reversal of timing differences	77,636	62,622
Adjustments in respect of prior periods	38,846	1,841
Total deferred tax	116,482	64,463
Taxation on profit on ordinary activities	130,704	118,304

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

11 Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2016: higher than) the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	253,115	765,126
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25 % (2016: 20%)	48,706	153,026
Effects of:		
Ineligible depreciation and amortisation	29,373	34,648
Expenses not deductible for tax purposes	5,683	25,466
Adjustments to tax charge in respect of prior years	(3,996)	1,841
Adjust deferred tax to average rate of 19.25% (2016: 20%).	10,941	(3,296)
Deferred tax on losses in associate not recognised	43,568	–
Income not taxable	–	(93,381)
Tax relief on exercise of share options	(3,571)	–
Total tax charge for the year	130,704	118,304

12 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 profit after tax of the parent company for the year was £104,011 (2016: £164,965).

13 Earnings per share

The calculation of basic loss per share is based on the loss 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 after tax		Weighted average number of shares		Profit per share	
	2017 £	2016 £	2017	2016	2017 pence	2016 pence
Basic earnings	122,411	646,822	104,091,365	100,993,948	0.118	0.64
Effect of dilutive share options	–	–	8,319,936	6,315,612	–	–
Diluted earnings	122,411	646,822	112,411,301	107,309,560	0.109	0.60

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

13 Earnings per share (continued)

	Profit after tax		Weighted average number of shares		Profit per share	
	2017 £	2016 £	2017	2016	2017 pence	2016 pence
Basic earnings	122,411	646,822	104,091,365	100,993,948	0.118	0.64
Add back share based payment	75,416	74,868	–	–	–	–
Adjusted earnings	197,827	721,690	104,091,365	100,993,948	0.190	0.71
Effect of dilutive share options	–	–	8,319,936	6,315,612	–	–
Diluted earnings	197,827	721,690	112,411,301	107,309,560	0.176	0.67

14 Tangible fixed assets

Group	Freehold land and buildings £	Short term leasehold properties £	Plant and machinery £	Motor vehicles £
Cost or valuation				
At 1 January 2017	4,677,446	219,995	2,321,751	13,781
Additions	1,499,602	–	192,751	–
At 31 December 2017	6,177,048	219,995	2,514,502	13,781
Depreciation				
At 1 January 2017	870,392	4,534	886,839	13,563
Charge for the year on owned assets	122,420	22,000	119,908	55
At 31 December 2017	992,812	26,534	1,006,747	13,618
Net book value				
At 31 December 2017	5,184,236	193,461	1,507,755	163
At 31 December 2016	3,807,054	215,461	1,434,912	218

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

14 Tangible fixed assets (continued)

Group	Fixtures, fittings and equipment £	Biological assets – vines £	Total £
Cost or valuation			
At 1 January 2017	547,554	2,206,896	9,987,423
Additions	88,661	1,010,008	2,791,022
At 31 December 2017	636,215	3,216,904	12,778,445
Depreciation			
At 1 January 2017	308,366	16,244	2,099,938
Charge for the year on owned assets	70,543	40,696	375,622
At 31 December 2017	378,909	56,940	2,475,560
Net book value			
At 31 December 2017	257,306	3,159,964	10,302,885
At 31 December 2016	239,188	2,190,652	7,887,485

Company	Freehold land and buildings £	Short term leasehold properties £	Plant and machinery £	Biological assets £	Total £
Cost or valuation					
At 1 January 2017	4,362,127	219,995	635,500	2,206,896	7,424,518
Additions	1,497,582	–	–	1,010,008	2,507,590
Transfers intra group	70,142	–	–	–	70,142
At 31 December 2017	5,929,851	219,995	635,500	3,216,904	10,002,250
Depreciation					
At 1 January 2017	753,357	4,534	458,684	16,244	1,232,819
Charge for the year on owned assets	101,428	22,000	31,776	40,696	195,900
At 31 December 2017	854,785	26,534	490,460	56,940	1,428,719
Net book value					
At 31 December 2017	5,075,066	193,461	145,040	3,159,964	8,573,531
At 31 December 2016	3,608,769	215,461	176,816	2,190,652	6,191,698

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

15 Fixed asset investments

Group	Share of net assets £	Goodwill £	Total investment in associates £
Cost or valuation			
At 1 January 2017	591,035	323,542	914,577
Amortisation of goodwill	–	(46,221)	(46,221)
Share of profit/(loss)	(226,329)	–	(226,329)
At 31 December 2017	364,706	277,321	642,027
Net book value			
At 31 December 2017	364,706	277,321	642,027
At 31 December 2016	591,035	323,542	914,577

The associated company Curious Drinks Limited is a private limited company, which is incorporation and registered in England and Wales (reg number: 04456158)

Its principal activity of the company during the year was the production and sale of beer and cider.

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

Chapel Down Group PLC owned 49.79% of the voting shares.

At 31 December 2017 Curious Drinks Limited had net assets of £1,076,318 and incurred a loss in the year of £454,569.

Company	Investment in subsidiary companies £	Investment in associates £	Total £
Cost or valuation			
At 1 January 2017	50,000	573,833	623,833
At 31 December 2017	50,000	573,833	623,833
Net book value			
At 31 December 2017	50,000	573,833	623,833
At 31 December 2016	50,000	573,833	623,833

Details of subsidiary and associate undertakings are included within note 34.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

16 Stocks

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Work in progress	3,805,411	3,774,137	–	–
Finished goods and goods for resale	755,791	686,671	–	–
	4,561,202	4,460,808	–	–

Stock recognised in cost of sales during the year as an expense was £4,875,034 (2016: £4,272.897).

17 Debtors

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Due after more than one year				
Amounts owed by group undertakings	–	–	5,490,917	5,672,563
Amounts owed by associate undertakings	1,463,377	1,127,407	1,121,033	949,434
	1,463,377	1,127,407	6,611,950	6,621,997
Due within one year				
Trade debtors	2,122,509	2,153,749	–	–
Other debtors	555,738	589,587	386,816	495,857
Prepayments and accrued income	105,497	97,676	–	19,619
	4,247,121	3,968,419	6,998,766	7,137,473

The loan with English Wines Plc has interest charged at 7% per annum. The loan is not due until after 31 December 2018.

The loan with Curious Drinks Limited has interest charged at 2.5% per annum. The loan is not due until after 31 December 2018.

18 Cash and cash equivalents

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Cash at bank and in hand	19,716,585	1,225,528	18,976,583	629,392

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

19 Creditors: Amounts falling due within one year

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Bank loans	164,957	–	164,957	–
Trade creditors	1,611,379	1,313,286	–	–
Corporation tax	56,377	54,210	13,730	54,210
Other taxation and social security	209,023	396,194	–	–
Other creditors	1,337,823	555,845	649,623	–
Accruals and deferred income	125,937	105,080	11,203	8,228
	3,505,496	2,424,615	839,513	62,438

20 Creditors: Amounts falling due after more than one year

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Loans	1,804,980	–	1,804,980	–
Accruals and deferred income	20,879	21,414	–	–
	1,825,859	21,414	1,804,980	–

21 Loans

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Amounts falling due within one year				
Bank loans	164,957	–	164,957	–
Amounts falling due 1-2 years				
Bank loans	163,205	–	163,205	–
Amounts falling due 2-5 years				
Bank loans	489,616	–	489,616	–
Amounts falling due after more than 5 years				
Bank loans	1,152,159	–	1,152,159	–
	1,969,937	–	1,969,937	–

During the year a £2,000,000 bank loan was drawdown with HSBC Bank Plc. The loan is repayable over a period of 15 years, in quarterly instalments of £40,801. The loan attracts interest at 2.25% over the Bank of England base rate.

The loan is secured by a fixed and floating charge over the assets of the group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

22 Financial Instruments

	Group		Company	
	2017 £	2016 £	2016 £	2016 £
Financial assets				
Financial assets that are debt instruments measured at amortised cost	23,858,209	5,096,271	25,975,349	7,747,246
Financial liabilities				
Financial liabilities measured at amortised cost	(5,065,957)	(1,898,640)	(2,630,763)	(8,228)

Financial assets measured at amortised cost comprise cash at bank, trade debtors, other debtors, amounts owed by group undertakings, amounts owed by associate undertakings and accrued income

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

23 Deferred taxation

Group	2017 £	2016 £
At beginning of year	(107,090)	(274,485)
Charged to profit or loss	(116,482)	(64,463)
Deferred tax movement relating to revaluation of tangible assets	–	148,264
Deemed disposal	–	18,342
Deferred tax movement relating to share options	–	65,252
At end of year	(223,572)	(107,090)

Company	2017 £	2016 £
At beginning of year	(58,240)	(206,161)
Charged to profit or loss	(90,884)	(343)
Charged to other comprehensive income	–	148,264
At end of year	(149,124)	(58,240)

The provision for deferred taxation is made up as follows:

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Accelerated capital allowances	(336,354)	(289,508)	(149,124)	(58,240)
Tax losses carried forward	12,519	84,638	–	–
Share options	100,263	97,780	–	–
	(223,572)	(107,090)	(149,124)	(58,240)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

24 Share capital

	2017	2016
	£	£
Allotted, called up and fully paid		
138,080,960 (2016: 100,993,960) Ordinary shares of £0.05 each	6,904,048	5,049,698
14,320,000 A1 shares of £0.0001 each	1,432	1,432
3,800,000 A2 shares of £0.0001 each	380	380
	6,905,860	5,051,510

Ordinary shares have full voting rights with 1 vote per share, they are entitled to dividends when proposed and are due 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 37,060,000 ordinary shares were issued at 50p per share, contributing 45p per share to share premium.

During the year 27,000 ordinary share options were exercised by an employee of the group at 17p per share.

At the year end there were 10,180,338 open share options for ordinary shares.

25 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.

Profit and loss account

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

26 Share based payments

	2003 Fixed Price	2006 Variable Price	2006 Fixed Price	2009 Fixed Price	2013 Fixed Price	2016 Fixed Price	2017 Fixed Price
Number of share options	1,968,450	3,000,000	3,239,997	3,000,000	4,688,888	430,000	200,000
Vesting period (years)	3.7	4.4	4.4	3.6	4.6	4.0	3.0
Outstanding at start of year	788,124	2,600,000	468,526	1,491,800	4,688,888	430,000	–
Weighted average exercise price at the start of the year	12.5p	9p	15p	10p	17p	33p	–
Exercised	–	–	–	–	(27,000)	–	–
Granted	–	–	–	–	–	–	200,000
Forfeited	–	–	–	–	–	–	–
Outstanding at year end	788,124	2,600,000	468,526	1,491,800	4,661,888	430,000	200,000
Weighted average exercise price at the end of the year	12.5p	9p	15p	10p	17p	33p	81p

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

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, vesting period of 3.7 years and a risk free rate 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 December 2005.

The estimated fair value 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, vesting period of 4.4 years and a risk free rate 5.5%.

The estimated fair value 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, vesting period of 4.4 years and a risk free rate 5.5%.

The estimated fair value 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, vesting period of 3.6 years and a risk free rate 0.5%.

The estimated fair value of the 4,688,888 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 20.5p, exercise price of 17p, expected volatility of 35%, no expected dividends, vesting period of 4.6 years and a risk free rate 0.5%.

The estimated fair value of the 430,000 share options granted in 2016 is 6.2p. This was calculated by applying the Black Scholes option pricing model. The model inputs were the share price at grant date of 33.75p, exercise price of 33p, expected volatility of 2%, no expected dividends, vesting period of 4 years and a risk free rate 0.5%.

The estimated fair value of the 200,000 share options granted in 2017 is 6.2p. This was calculated by applying the Black Scholes option pricing model. The model inputs were the share price at grant date of 80.4p, exercise price of 81p, expected volatility of 11%, no expected dividends, vesting period of 3 years and a risk free rate 0.5%.

The current year expense resulting from the share options is £75,416 (2016: £74,868).

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

27 Contingent liabilities

At 31 December 2017 there was a guarantee in place in favour of Her Majesty's Revenue and Customs for £270,000 (2016: £270,000).

28 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 £16,442 (2016: £13,985). Contributions totaling £98 (2016: £Nil) were payable to the fund at the balance sheet date and are included in creditors.

29 Commitments under operating leases

At 31 December 2017 the group and the company had future minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2017	2016
	£	£
Other		
Not later than 1 year	85,503	84,642
Later than 1 year and not later than 5 years	85,506	78,540
	171,009	163,182

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Land and buildings				
Not later than 1 year	276,990	226,573	237,490	226,573
Later than 1 year and not later than 5 years	708,300	768,078	652,758	768,078
Later than 5 years	2,066,368	2,188,538	2,066,368	2,188,538
	3,051,658	3,183,189	2,956,616	3,183,189

30 Capital commitments

At 31 December 2017 the group had capital commitments totalling £Nil (2016: 275,325).

31. 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, an associate of Chapel Down Group PLC, was charged interest of £27,239 (2016: £17,005). The company also paid costs on behalf of Curious Drinks Limited totalling £144,880 (2016: £246,542). At 31 December 2017 £1,121,033 (2016: £949,434) was owed to the company by Curious Drinks Limited.

During the year English Wines Plc, a 100% subsidiary of the company, transferred income to the Curious Drinks Limited of £3,679,233 (2016: £3,547,967) and recharged costs, including a management charge, of £4,057,878 (2016: £3,865,427). During the year the Curious Drinks Limited paid costs on behalf of English Wines Plc totalling £214,274 (2016: £nil). At the year end £342,344 (2016: £177,973) was owed to English Wines Plc.

Fees of £177,366 (2016: £176,833) and expenses of £3,331 (2016: £2,406) were payable to related parties in respect of investment monitoring, consultancy fees and non-executive director services. At the year-end a balance of £29,429 (2016: £28,333) was outstanding.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

32 Post balance sheet events

On 12 January 2018 2,940,000 Ordinary shares were issued following an Open Offer to existing shareholders which was announced in December 2017. The shares were issued at nominal value at a price of £0.50 per share.

33 Controlling party

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

34 Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding	Principal activity
English Wines PLC	Ordinary	100 %	Manufacture and sale of wine and spirits
Chapel Down Group Limited	Ordinary	100 %	Dormant

Name	Registered office
English Wines PLC	Chapel Down Winery, Small Hythe Road, Tenterden, Kent TN30 7NG
Chapel Down Group Limited	Chapel Down Winery, Small Hythe Road, Tenterden, Kent TN30 7NG

The aggregate of the share capital and reserves as at 31 December 2017 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves	Profit/(loss)
	£	£
English Wines PLC	1,510,986	290,944
Chapel Down Group Limited	1	-

OUR DIRECTORS AND ADVISERS

Directors	G Bath P Brett J D Brooke J M Dunsmore M S Harvey 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 Riverside House 40-46 High Street Maidstone Kent ME14 1JH
Bankers	HSBC Bank PLC West London Corporate Centre 2nd Floor, Space One 1 Beadon Road London W6 0EA
Registrars	Link Asset Services 34 Beckenham Road Beckenham Kent BR3 4TU
Financial Advisers	finnCap 60 New Broad Street London EC2M 1JJ
Solicitors	Cripps LLP 22 Mount Ephraim Road Tunbridge Wells Kent TN4 8AS
Company Registration No.	04362181 (England and Wales)

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





CHAPEL DOWN

TENTERDEN ENGLAND

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