

Chapel Down Group Plc
('CDG' or 'the Company')
EPIC: CDGP

AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

Chairman's Report

I am pleased to announce significant progress in the results for the year ended 31 December 2020.

Key highlights:

- Wines and Spirits
 - Wine sales volumes were up 38%, reflecting the growing demand for our award-winning wines despite losing approximately a third of our business in the on licensed trade and our own retail shop sales due to COVID-19 lockdowns.
 - Direct to consumer volumes were up 467%, offsetting reduced volumes in the hospitality trade and our own retail outlets due to COVID-19 lockdowns. They have grown from just 4% of our trade in 2019 and now represent 18%.
 - Another excellent harvest in both quality and quantity in 2020 has enabled us to increase stocks by 12% to £12.029m (2019: £10.719m) with substantially increased levels of high quality sparkling wine stock.
 - Further recognition of the premium quality of our wines with Platinum medals for our Kit's Coty Coeur de Cuvée 2014 and our Three Graces 2015 and Gold for Kit's Coty Blanc de Blancs 2014 and Kit's Coty Chardonnay 2017 at The Decanter World Wine 2020 Awards. This, along with more trophies and Golds in the WineGB awards for both sparkling and still wines reinforces Chapel Down's position as England's leading producer.
 - Chapel Down Wine and Spirits revenues on a continuing basis up 32% to £13.294m (2019: £10.102m).
 - Wines and Spirits gross profit on a continuing basis up 31% at £5.149m (2019: £3.920m)
 - Adjusted EBITDA for Chapel Down Wines and Spirits was up 76% at £1.608m (2019: £0.915m).

- Beer and Cider
 - Our Beer and Cider business – with some 90% of its sales in the hospitality sector – was badly affected by the COVID-19 lockdowns.
 - Beer and Cider sales, in Curious Drinks Limited, were down 52% to £2.265m (2019: £4.699m) reflecting the impact of the closure of the on-trade for much of the year.
 - Beer and Cider gross profit (in Curious Drinks Limited) down 68% at £0.451m (2019: £1.431m).
 - With the closure of hospitality, the off-trade was dominated by heavy discounting and intense competition for shelf space.
 - Adjusted EBITDA for Beer and Cider was a loss of (£1.629m) (2019: loss of (£1.776m)).

- Adjusted EBITDA for the Group was a loss of (£0.021m) (2019: loss of (£1.236m))*
- The loss before tax for the Group was a loss of (£7.860m) (2019: loss of (£4.285m)) which included £6.677m of exceptional costs associated with the disposal of Curious Drinks Limited which completed on 23 April 2021.

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

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

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

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

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

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

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

Martin Glenn
Chairman

Chief Executive's Commentary

The past year has been extremely challenging for everyone.

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

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

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

Turning to 2020 performance...

Performance Review

Review and Disposal of Curious Drinks Limited:

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

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

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

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

and hotels and other hospitality venues and events due to the UK Government imposed lockdowns.

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

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

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

The combined business made a loss before tax of (£7.860m) (2019: loss of (£4.285m)) with the Wines and Spirits delivering a profit before tax of £0.955m (2019: £0.308m) and Curious Drinks recording a loss before tax of (£8.815m) (2019: loss of (£2.401m)) which included an exceptional cost of £6.677m being the write-down of the net assets to nil.

Continuing Operations:

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

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

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

We believe the future is very exciting. Aside from the improving quality of the wines and improving long term yields, we also see growing demand from our customers. We are delighted that Tesco have recently (in April 2021) added our flagship Brut NV to their range in 411 stores. Along with Sainsbury, Majestic, Waitrose and Marks and Spencer, Chapel Down is available in more places than any other English wine brand. In addition, our e-commerce

business grew by 467% last year. We will continue to invest in sponsorships, marketing, partnerships and systems to ensure we can continue to grow this business.

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

The genesis of a new wine region does not happen very often. Being at the forefront of that is very exciting. Our sparkling wines continue to set the standard for the industry, offering outstanding quality and value at every price tier. The addition of our new Sparkling Bacchus has bridged an important gap in pricing. Our still wines (which are more individual vintage dependent, but much of which can be released in the year following vintage) have also been winning international accolades and wide critical acclaim particularly at the premium end.

We are at this exciting point because your Company has continued to invest in its brands, its assets and its people to build a healthier, more sustainable company with a really exciting future both at home and abroad in 2020.

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

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

Business risks and uncertainties

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

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

There is a risk of a poor grape harvest through extreme weather events which we mitigate through maintaining the highest standards of viticulture, choosing the very best sites and utilising the latest proven advances in technology and agriculture. We source from a wide

geographic area to minimise micro-climatic variations that can blight individual sites. We also mitigate the risk to future growth by building our wine stock. The diversification into spirits, which use the by-products of our wine business, also further protects our ability to continue to grow.

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

Outlook

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

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

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

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

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

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

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

Thanks for your energy and your support.

Thanks for your continuing faith and belief.

Frazer Thompson Chief Executive Officer

*Excludes the effect of the Exceptional costs and the FRS 102 Section 26 share option accounting adjustment of £40k (2019: £43k) which is a non-cash item. Refer to note 1 "Basis of preparation/accounting policies" for further information.

**Source Le Expéditions De Vins De Champagne en 2020

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This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"), and is disclosed in accordance with the company's obligations under Article 17 of MAR.

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

	Audited Continuing Operations 01.01.20 to 31.12.20	Audited Curious Drinks Continuing Operations 01.01.20 to 31.12.20	Audited Total 2020 £	Audited Continuing operations 01.01.2019 to 31.12.2019	Audited Curious Drinks continuing operations 01.01.2019 to 31.12.2019	Gin Works Discontinued Operations 01.01.2019 to 31.12.2019	Audited Total 2019 £
	1	2	3	4	5	6	7
Turnover	13,294,295	2,265,053	15,559,348	10,101,977	4,698,592	1,311,368	16,111,937
Cost of sales	(8,144,800)	(1,813,956)	(9,958,756)	(6,182,174)	(3,267,275)	(303,288)	(9,752,737)
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Gross profit	5,149,495	451,097	5,600,592	3,919,803	1,431,317	1,008,080	6,359,200
Administrative expenses	(4,198,337)	(2,717,164)	(6,915,501)	(3,588,582)	(3,617,250)	(1,952,361)	(9,158,193)
Share based payment charge	(40,434)	-	(40,434)	(42,532)			(42,532)
Exceptional administrative expenses	-	(6,677,409)	(6,677,409)	-	-	(1,247,237)	(1,247,237)
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Operating (loss)/profit	910,724	(8,943,476)	(8,032,752)	288,689	(2,185,933)	(2,191,518)	(4,088,762)
Government grant income	161,017	384,357	545,374	-	-	-	-
Interest receivable and similar income	4,736	952	5,688	18,842	3,739	-	22,581
Interest payable and expenses	(121,647)	(256,804)	(378,451)	-	(218,910)	-	(218,910)
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(Loss)/profit before tax	954,830	(8,814,971)	(7,860,141)	307,531	(2,401,104)	(2,191,518)	(4,285,091)
Tax on (loss)/profit	(99,431)	-	(99,431)	157,906	-	-	157,906
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(Loss)/profit for the financial year	855,399	(8,814,971)	(7,959,572)	465,437	(2,401,104)	(2,191,518)	(4,127,185)
	=====	=====	=====	=====	=====	=====	=====
Loss for the year attributable to:							
Non-controlling interests	-	(5,159,569)	(5,159,569)	-	(1,477,053)	-	(1,477,053)
Owners of the parent company	855,399	(3,655,402)	(2,800,003)	465,437	(924,051)	(2,191,518)	(2,650,132)
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	855,399	(8,814,971)	(7,959,572)	465,437	(2,401,104)	(2,191,518)	(4,127,185)
Adjusted performance measures							

Adjusted EBITDA							
Operating (loss)/profit	910,724	(8,943,476)	(8,032,752)	288,689	(2,185,933)	(2,191,518)	(4,088,762)
Share based payment	40,434	-	40,434	42,532	-	-	42,532
Depreciation and amortisation	657,222	637,180	1,294,402	583,377	409,761	569,808	1,562,946
Exceptional costs	-	6,677,409	6,677,409	-	-	1,247,237	1,247,237
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EBITDA excluding share based payment	1,608,380	(1,628,887)	(20,507)	914,598	(1,776,172)	(374,474)	(1,236,048)
	=====	=====	=====	=====	=====	=====	=====
(Loss)/Profit per share – diluted (pence)			(1.94)				(1.85)

There was no other comprehensive income for 2020 (2019 - £Nil).

Notes:

1. Represents the consolidated audited results for Chapel Down Group Company and English Wines Plc for the period 01 January 2020 to 31 December 2020, excluding Curious Drinks Limited for the period 01 January 2020 to 31 December 2020 which is reported separately under Curious Drinks Limited continuing operations
2. Represents the continuing operations for Curious Drinks Limited for the period 01 January 2020 to 31 December 2020
3. Represents the consolidated audited results for Chapel Down Group Company, English Wines Plc and Curious Drinks Limited for the period 01 January 2020 to 31 December 2020
4. Represents the consolidated audited results for Chapel Down Group Company and English Wines Plc for the period 01 January 2019 to 31 December 2019, excluding Curious Drinks Limited for the period 01 January 2019 to 31 December 2019 which is reported separately under Curious Drinks continuing operations.
5. Represents the continuing operations for Curious Drinks Limited for the period 01 January 2019 to 31 December 2019
6. Represents the discontinued operations being the Gin Works Restaurant & Bar for the period 01 January 2019 to 31 December 2019
7. Represents the consolidated audited results for Chapel Down Group Company, English Wines Plc and Curious Drinks Limited for the period 01 January 2019 to 31 December 2019

CONSOLIDATED BALANCE SHEET FOR THE YEAR ENDED 31ST DECEMBER 2020

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2020

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

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	4,860,611	2,473,457
	=====	=====

1. BASIS OF PREPARATION/ACCOUNTING POLICIES

The Company's report for the year ended 31 December 2020 was authorised for issue by the directors on 4 June 2021. The financial information does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 31 December 2020, which was prepared in accordance with the Company's reporting standard (FRS102) that was in effect at that time.

The accounting standard requires the Company to restate its profit to attribute a notional cost of non-cash share option agreements to the business. After adopting the standard, the accounts show a decrease in profit of £40,434 (2019: £42,532) resulting in a Group pre-tax loss of £7,860,141 (2019: pre-tax loss of £4,285,091).

The Company is required to value net assets in accordance with the Company's reporting standard (UK GAAP). The assets (wine stock, land, vineyard) are held at cost which the Directors believe is considerably less than the realisable value.

The statutory accounts for the year ended 31 December 2020, prepared under UK GAAP, have been reported on by the Company's auditors, received an unqualified audit report and will be posted to shareholders on 7 June 2021.

2. BALANCE SHEET REVIEW

The net asset value of the Company as at 31 December 2020 was £23,512,445 which includes:

- Fixed assets of £21,054,657 includes the 2015 market value of the sites at Tenterden and Kit's Coty as well as the vineyard development expenditure at Kit's Coty and the Boxley vineyards which is capitalised at cost.
- £12,028,863 of stock is valued at cost being the lower of cost or net realisable value.

3. PROFIT PER SHARE

The calculation of the loss per share for the year ended 31 December 2020 is based on the loss for the period of £2,800,003 and the weighted average number of shares in issue during the period of 144,345,501.

4. DISTRIBUTION OF THE FULL YEAR STATEMENT

Copies of this statement will be available for collection free of charge from the Company's registered office at Chapel Down Winery, Small Hythe Road, Tenterden TN30 7NG. An electronic version will be available on the Company's website, www.chapeldown.com.