

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

UNAUDITED RESULTS FOR THE 6 MONTHS ENDED 30 JUNE 2021

Chairman's Report

I am pleased to announce significant progress in the results for the 6 months ended 30 June 2021.

Key highlights:

- **Total Group**
 - The Company is now entirely focused on growth in the exciting English wine industry having exited the Beer and Cider business in April 2021.
 - After the period end in September 2021, Andrew Carter, previously MD of Chase Distillery and CCO of Treasury Wine Estates, joined as our new CEO.
 - Group revenues increased by 35% to £8.109m (H1 2020: £6.001m).
 - Adjusted EBITDA for the Group was a profit of £0.618m (H1 2020: loss of (£0.419m))*.
 - Net debt at 30 June 2021 was £0.854m (31.12.20: £7.411m) prior to the fundraise of £6.876m which closed after the period end on 16 July 2021.
 - The Company secured a new £15m asset based lending facility in June 2021 which will enable us to continue to invest in growth and meet the strong demand for our high quality wines.

- **Wines and Spirits**
 - Wine sales volumes were up 66%, reflecting the growing demand for our award-winning wines and the strength of our brand.
 - Direct to consumer volumes continued to grow and were up a further 36% and we experienced further growth of 86% in our off-trade business in Waitrose, Marks & Spencer, J Sainsbury, Majestic, Tesco and other well-known retailers.
 - There was further recognition of the premium quality of our wines with a Platinum medal for our Rose Brut NV and Gold for Kit's Coty Blanc de Blancs 2015 and Kit's Coty Bacchus 2019 at The Decanter World Wine 2021 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 wine producer.
 - Chapel Down Wine and Spirits revenues were up on a continuing basis by 64% to £7.822m (H1 2020: £4.780m).
 - Wines and Spirits gross profit on a continuing basis were up 76% at £3.055m (H1 2020: £1.736m).
 - Adjusted EBITDA for Chapel Down Wines and Spirits was up 232% at £0.801m (H1 2020: £0.241m)*.

- **Beer and Cider**
 - The sale of our Beer and Cider business on 23 April 2021 resulted in an improvement in the Company's net debt position by £7.202m on completion.
 - The sale resulted in a £0.806m exceptional non-cash cost relating to the share for share exchange.

- The 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 76% to £0.287m (H1 2020: £1.194m) 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 78% at £0.061m (H1 2020: £0.272m).
- 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 (£0.183m) (H1 2020: loss of (£0.576m)).

** Excludes the effect of the exceptional costs and the FRS 102 Section 26 share option accounting adjustment of £27k (H1 2020: £35k) which is a non-cash item.*

Chairman's Commentary

I am pleased to announce significant progress in the development of Chapel Down as a premium wine producer with greater focus. This has manifested itself in rapid sales growth and profitability. There has already been a positive swing of over £1m in terms of EBITDA, which in H1 2021 was £0.618m (H1 2020 loss of (£0.419m)).

The drivers of this excellent turnaround have been a growing demand for our award winning wines and the opening up of new distribution routes to the consumer. The foundations remain our superb quality wines and spirits, our industry leading brand recognition and of course, our great team.

I've always said that "people make strategy happen" and this has certainly been the case at Chapel Down. Frazer and his team have steered the company through the pandemic, built a significant e-commerce proposition and completed the difficult process of exiting Beer production which we completed in April 2021. They have also completed a successful round of fundraising and financing. This has allowed full focus on what we believe will continue to make Chapel Down even more well-known and regarded and enable it to grow more profitably - namely our range of extraordinary wines which continue to delight consumers and connoisseurs alike. The Platinum medals for our Rose Brut NV and Kits Coty Blanc de Blancs for example, help continue to win new friends and customers.

It's important to recognize the importance of great people to drive performance. I'd like to extend the Board's thanks and appreciation to Frazer Thompson who retires in November and to wish his successor Andrew Carter my best wishes as they work to ensure a seamless transition as he takes over as CEO. Frazer has built a tremendous platform for growth at Chapel Down during his 20 year tenure. Chapel Down is the UK's biggest English wine business with the most recognised and valued brand. It takes time and patience to build high quality wine capability and great flair to build a distinctive brand. Frazer has helped build something remarkable and a business of which all stakeholders can be proud.

Andrew joins at a great time. We have focused the business and have the desire and capability to rapidly build scale and to extend our lead further. Andrew already has a great track record in Wine and Spirits and is excited to plot a course to further accelerate profitable growth that can change the way people think about English Wine forever and make Chapel Down truly famous.

I wish Frazer a happy retirement and Andrew the best of luck in his new role at this exciting time for Chapel Down.

Finally, I would like to thank all of our thousands of enthusiastic and committed shareholders, without whom this progress would not have been possible.

Martin Glenn
Chairman

Chief Executive's Commentary

As I pass on the reins of the business to Andrew Carter, I do so with the business in better shape than ever, and with a great team in place who have managed our growth in this extraordinary crisis. Andrew has an outstanding pedigree, having previously been MD of Chase Distillery and CCO of Treasury Wine Estates, and he has joined at the ideal time.

As we emerge from the crisis there is a real excitement around English wine from every quarter - trade, consumers, critics and retailers. In Chapel Down we have the leading "power brand" with a growing reputation, the broadest distribution, a rapidly growing on-line business and huge potential for growth

Turning to 2021 performance...

Performance Review

	Wines and Spirits – Continued Operations			Beer and Cider – Discontinued Operations			Combined Businesses		
	H1 2021	H1 2020	%age Variance	H1 2021	H1 2020	%age Variance	H1 2021	H1 2020	%age Variance
	£'000	£'000		£'000	£'000		£'000	£'000	
Turnover	7,822	4,780	+64%	287	1,194	-76%	8,109	5,974	+36%
Gross profit	3,055	1,736	+76%	61	272	-78%	3,116	2,008	+55%
Gross profit %age	39%	36%		21%	23%		40%	34%	

Review and Disposal of Curious Drinks Limited:

On 9 February 2021 we announced that we intended to dispose of the Curious Drinks ("Curious") 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.

The turnover was down 76% to £0.287m (H1 2020: £1.194m) reflecting the closure of the on-trade. During the period to disposal we made a conscious decision to minimise spend on the beer business in H1 2021. This along with the furloughing of staff and a redundancy program in Q3 2020 resulted in overhead expenditure down £0.921m as the brewery was effectively moth-balled for much of the period to disposal.

The disposal of the Curious Drinks Business completed on 23 April 2021 and resulted in an improvement in the Company's net debt of £7.202m on completion. As announced on 9 February 2021, Chapel Down offered all registered Curious shareholders the opportunity to convert their shares in Curious into shares in Chapel Down. This conversion was at a rate of 1.57 Chapel Down shares for each Curious share held, which, based on the average closing price of a Chapel Down share for the ten days prior to the announcement of the proposed disposal on 9 February 2021 of 63.8p, is equivalent to 50% of their original investment in Curious. Forms of acceptance had been received for 1,263,331 shares in the Company which were admitted to trading on 29 April 2021. The share for share exchange resulted in an exceptional non-cash cost in H1 2021 of £0.806m.

The adjusted EBITDA* for Curious was a loss of (£0.183m) (H1 2020: loss of (£0.576m)). 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 66% in H1 2021. Increased focus and sales to supermarkets and other off premise retailers, and continued growth in direct sales on-line have more than compensated for the loss of sales through the on-trade channel. We believe that this has created a significant opportunity to further grow Chapel Down and create further value for shareholders. The combined business made a loss before tax of (£0.557m) (H1 2020: loss of (£1.272m)) with the Wines and Spirits delivering a profit before tax of £0.459m (H1 2020: loss of (£0.168m)) and Curious Drinks recording a loss before tax of (£1.017m) (H1 2020: loss of (£1.020m)) which included an exceptional cost of £0.806m being the non-cash cost of the share for share exchange.

Your team are now solely focused on managing the growing market for Chapel Down Wines and Spirits both at home and abroad.

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 64% increase in our turnover to £7.822m (H1 2020: £4.780m) and a 76% increase in our gross profit, to £3.055m (H1 2020: £1.736m). Administrative expenses on a continuing basis increased by £0.762m, 42% year-on-year reflecting investment in marketing to support national retailers and the growth in direct to consumer sales. Adjusted EBITDA on a continuing basis increased 232% to a profit of £0.801m (H1 2020: profit of £0.241m)*.

Following the successful fundraise in July 2021 which raised £6.876m, and the securing of a new £15m asset based lending facility, we are able to continue to invest to ensure we are able to grow our supply of the highest quality fruit and able to process that fruit into the best wine possible at an improved winery. In addition, we will continue to invest in our team, our systems and the Chapel Down brand.

Whilst the 2021 harvest has been one of the more challenging in recent years with yields expected to be down by some 25%, we have built stocks of our sparkling wines over the last

four years to enable us to continue to maintain our growth momentum. We will also be planting further vineyards (150 acres) in 2022/3. We continue to expect yields to improve long term as viticulture improves and our latest plantings on better sites start to bear fruit. Only 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 progress our plans to create further winemaking capacity over the next 2-3 years.

We believe the future is very exciting. We see growing demand from our customers. Tesco added our flagship Brut NV to their range in April. Along with Sainsbury, Majestic, Waitrose and Marks and Spencer, Chapel Down is available in more places than any other English wine brand. Our e-commerce business continues to grow and service levels continue to improve at a rapid pace. And our brand is in great shape – truly starting to challenge the hegemony of Champagne.

Our English wine sales volume grew by 66% last year, and our sparkling wine sales were up over 109%. 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. 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. There is still a world of opportunity and a long way to go both at home and abroad!

I am sure you will join me in wishing Andrew and the whole team every success.

Outlook

Chapel Down is the leading English Wine brand in the UK with a product proven over 20 years. We continue to be encouraged by the strong demand for English Wines and in particular Chapel Down's award winning wines. Across Europe, wine harvests have been weaker this year due to adverse weather conditions and we are not immune to these risks. However, our high quality vineyards and healthy wine stocks enable us to mitigate much of the negative impact of a weaker harvest.

The Board is satisfied with the current trading performance and is excited at the prospects for growth under our new CEO Andrew Carter. We are comfortable that the full year results will be in line with the Board's expectations and expect to see strong growth continuing over the medium term. We look to the future with optimism and confidence.

Frazer Thompson
Chief Executive Officer

*Excludes the effect of the Exceptional costs and the FRS 102 Section 26 share option accounting adjustment of £27k (H1 2020: £35k) which is a non-cash item. Refer to note 1 "Basis of preparation/accounting policies" for further information.

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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.

Operating (loss)/profit	442,716	(988,881)	(546,165)	(121,829)	(891,987)	(83,766)	(1,097,582)	910,724	(8,943,476)	(8,032,752)
Share based payment	27,408	-	27,408	34,548	-	-	34,548	40,434	-	40,434
Depreciation and amortisation	330,650	-	330,650	328,129	316,361	-	644,489	657,222	637,180	1,294,402
Exceptional costs	-	806,005	806,005	-	-	-	-	-	6,677,409	6,677,409
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Adjusted EBITDA excluding share based payment	800,774	(182,876)	617,899	240,848	(575,626)	(83,766)	(418,545)	1,608,380	(1,628,887)	(20,507)
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(Loss)/Profit per share – diluted (pence)			(0.36)				(0.40)			(1.94)

There was no other comprehensive income for 2021 (2020 - £Nil).

Notes:

1. Represents the consolidated unaudited results for Chapel Down Group Company and English Wines Plc for the period 01 January 2021 to 30 June 2021, excluding Curious Drinks Limited for the period 01 January 2021 to 30 June 2021 which is reported separately under Curious Drinks Limited discontinued operations
2. Represents the discontinued operations for Curious Drinks Limited for the period 01 January 2021 to 30 June 2021
3. Represents the consolidated unaudited results for Chapel Down Group Company, English Wines Plc and Curious Drinks Limited for the period 01 January 2021 to 30 June 2021
4. Represents the consolidated unaudited results for Chapel Down Group Company and English Wines Plc for the period 01 January 2020 to 30 June 2020, excluding Curious Drinks Limited for the period 01 January 2020 to 30 June 2020 which is reported separately under Curious Drinks discontinued operations.
5. Represents the discontinued operations for Curious Drinks Limited for the period 01 January 2020 to 30 June 2020.
6. Represents the discontinued operations being the Gin Works Restaurant & Bar for the period 01 January 2020 to 30 June 2020.
7. Represents the consolidated unaudited results for Chapel Down Group Company, English Wines Plc and Curious Drinks Limited for the period 01 January 2020 to 30 June 2020.
8. 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 discontinuing operations
9. Represents the discontinued operations for Curious Drinks Limited for the period 01 January 2020 to 31 December 2020
10. 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

CONSOLIDATED BALANCE SHEET FOR THE SIX MONTHS ENDED 30TH JUNE 2021

	Unaudited as at 30.06.2021 £	Unaudited as at 30.06.2020 £	Audited as at 31.12.2020 £
Fixed assets			
Intangible assets	28,280	99,879	31,815
Tangible assets	14,081,653	27,510,095	21,054,657
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	14,109,933	27,609,974	21,086,472
Current assets			
Stocks	11,168,362	10,957,758	12,028,863
Debtors due within one year	3,179,872	2,838,368	2,987,696
Cash at bank and in hand	2,950,139	5,832,489	4,860,611
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	17,298,373	19,628,615	19,877,170
Trade and other creditors	(3,323,879)	(4,668,534)	(4,881,504)
Bank loans	(1,208,085)	(1,317,067)	(1,886,437)
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Creditors: amounts falling due within one year	(4,531,964)	(5,985,601)	(6,767,941)
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Net current assets	12,766,409	13,643,014	13,109,229
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Total assets less current liabilities	26,876,342	41,252,988	34,195,701
Bank loans	(2,596,397)	(10,966,108)	(10,384,790)
Deferred income	(47,056)	-	(12,363)
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Creditors: amounts falling due after more than one year	(2,643,453)	(10,966,108)	(10,397,153)
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Provisions for liabilities			
Deferred tax	(286,639)	(98,804)	(286,103)
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Net assets	23,946,250	30,188,076	23,512,445
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Capital and reserves			
Called up share capital	7,291,779	7,225,712	7,226,837
Share premium account	26,908,035	26,153,471	26,158,571
Capital redemption reserve	400	400	400
Revaluation reserve	931,845	1,048,074	1,028,759
Non-controlling Interests	(7,048,005)	(2,398,914)	(6,891,546)
Profit and loss account	(4,137,804)	(1,840,667)	(4,010,576)
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	23,946,250	30,188,076	23,512,445
	=====	=====	=====

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30TH JUNE
2021**

	Unaudited H1 2021 £	Unaudited H1 2020 £	Audited FY 2020 £
Cash flows from operating activities			
(Loss)/profit for the period	(557,411)	(1,271,830)	(7,959,572)
Adjustments for:			
Amortisation of intangible assets	3,535	8,833	21,203
Depreciation of tangible fixed assets	327,115	635,656	1,273,201
Intangible asset impairment	-	-	91,044
Fixed asset impairment	-	-	6,586,362
Loss on disposal of tangible assets	-	-	19,964
Exceptional administrative expenses	806,005	-	-
Share based payments	27,408	34,548	40,434
Interest payable	141,762	177,015	378,451
Interest receivable	-	(2,767)	(5,688)
Taxation charge	-	-	99,431
Decrease / (increase) in stocks	860,501	(238,397)	(1,309,502)
Decrease / (increase) in debtors	(192,176)	530,019	380,691
(Decrease) / increase in creditors	(1,702,941)	(318,086)	(539,046)
Corporation tax (paid)	-	-	-
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Net cash generated from operating activities	(286,202)	(445,009)	(923,027)
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Cash flows from investing activities			
Purchase of intangible assets	-	-	(35,350)
Purchase of tangible fixed assets	(228,464)	(567,212)	(1,355,644)
Interest received	-	2,767	5,688
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Net cash from investing activities	(228,464)	(564,445)	(1,385,306)
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Cash flows from financing activities			
Issue of shares	8,400	62,326	68,551
New secured bank loans	3,832,791	4,483,175	5,000,000
Repayment of bank loans	(5,095,235)	-	(261,693)
Interest paid	(141,762)	(177,015)	(111,371)
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Net cash used in financing activities	(1,395,806)	4,368,486	4,695,487
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Net (decrease)/increase in cash and cash equivalents	(1,910,472)	3,359,032	2,387,154
Cash and cash equivalents at beginning of year	4,860,611	2,473,457	2,473,457
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Cash and cash equivalents at the end of year	2,950,139	5,832,489	4,860,611
	=====	=====	=====
Cash and cash equivalents at the end of year comprise:			
Cash at bank and in hand	2,950,139	5,832,489	4,860,611
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	2,950,139	5,832,489	4,860,611
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1. BASIS OF PREPARATION/ACCOUNTING POLICIES

The Company's report for the year ended 30 June 2021 was authorised for issue by the directors on 27 September 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 £27,408 (H1 2020: £34,548) resulting in a Group pre-tax loss of £557,411 (H1 2020: pre-tax loss of £1,271,830).

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 have been filed with the registrar of companies at Companies House. The unaudited interim financial statements for the six months ended 30 June 2021 and 30 June 2020 have been drawn up using accounting policies and presentation adopted in the Company's full financial statements for the year ending 31 December 2020 being FRS102.

2. BALANCE SHEET REVIEW

The net asset value of the Company as at 30 June 2021 was £23,946,250 which includes:

- Fixed assets of £14,109,933 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.
- £11,168,362 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 of 0.36 pence for the six months ended 30 June 2021 is based on the loss for the period of £557,411 and the weighted average number of diluted shares in issue during the period of 156,982,752.

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.