CHAPEL DOWN

CHAPEL DOWN GROUP PLC

ANNUAL REPORT 2023

OUR MISSION

TO CHANGE THE WAY THE WORLD THINKS ABOUT ENGLISH WINE

OUR VISION

TO BE THE LEADING AND MOST CELEBRATED ENGLISH WINEMAKER

2023 FINANCIAL SUMMARY

+15%
Revenue growth

+16%
Gross profit

+25%
Sparkling wine sales

+67%
Export growth

+87%
EBITDA

CONTENTS

2023 HIGHLIGHTS

NO. 1 ENGLISH WINE BRAND

THE POWER BRAND
IN ENGLISH WINE

RECORD SPARKLING
WINE SALES

1,023 ACRES/414 HECTARES
OF VINEYARDS

28 INTERNATIONAL AWARDS

OUTSTANDING SUMMER OF EVENTS

CONTINUED PROFITABLE GROWTH

4.5

Tripadvisor Score, based on 1,403 reviews

Travellers' Choice™ 2023

4.7

Google Review Score, based on 777 reviews

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2023

The Board is pleased to report record company sales, strong profitable growth and an exceptional harvest for 2023 as it continues to develop its market-leading brand, both in the UK and around the world.

Financial Highlights

- Net Sales Revenue, gross of retro[1] grew 15% to £17.9m, (2022: £15.6m) and 15% to £17.2m net of retro[1] (2022: £15.0m) as Chapel Down showed continued sales momentum.

- Chapel Down's brand-defining Traditional Method Sparkling (TMS) wines continued to grow strongly with Net Sales Revenue[2] increasing 25% to £12.0m (2022: £9.6m) on volumes up 13% to 887k bottles (2022: 789k).

- Strong NSR growth is across all UK & international trade channels, as well as the direct-to-consumer business, showing the benefits of scale and breadth of distribution.

- Chapel Down's Average Selling Price (ASP) grew 13% during the year, evidencing the continued premiumisation of the Chapel Down brand.

- Chapel Down remains strongly profitable at all levels, driven by profitable trading and the IFRS fair value adjustment on grapes from an exceptional harvest:
  - Gross profit increased 16% to £8.9m (2022: £7.7m), with an increase in gross profit margin to 52% (2022: 51%)
  - EBITDA grew strongly, up 87% to £5.4m (2022: 2.9m).

- Net debt of £1.2m (2022: net cash £3.3m) resulting from investing in a record harvest of 3,811 tonnes (2022: 2,050) which has increased wine stocks by 44% to £22.6m (2022: £15.6m) and the planting of 118 acres at Boxley Abbey vineyard. At year end, Chapel Down had an unused Revolving Credit Facility (RCF) of £12m.

- Strong balance sheet with high quality net assets of £34.3m (2022: £32.3m), including freehold land and buildings, planted vineyards and stock. The Board remain confident the market value of these tangible assets is significantly higher than the reported values. Chapel Down does not assign a value to its brand in the financial statements.

Operational Highlights

- Successful listing on AIM on 7 December 2023, a move which reflects the maturity of the business and the ambitious growth plan that we are committed to delivering in the years ahead and maintains the inheritance-tax free status of Chapel Down's shares.

- Continued brand leadership with prompted awareness[5] growing to 39% (2022: 32%), and penetration[5] to 14% (2022: 11%). Off trade value market share[4] was maintained at 35.4% (2022: 35.7%). Social media following grew 13% to over 105k followers across all social channels (2022: 93k). These awareness, penetration, market share and social media metrics are higher than for any other English winemaker.

- Favourable growing conditions, combined with the skill of our world-class viticulture and winemaking team, resulted in an exceptional, high-quality harvest in 2023. Chapel Down delivered a record 3,811 tonnes of grapes, 86% higher than 2022 (2,050 tonnes), and 75% higher than Chapel Down's previous record (2018: 2,173 tonnes). This will create c.3.4m bottles of wine.

- Future growth enabled with the planting of the Boxley Abbey vineyard on the North Downs of Kent. This increases total planted vineyards to 906 acres (367 hectares) (2022: 788 acres, 319 hectares), accounting for nearly 10% of UK planted vineyards (Source: Wine GB).

- Continued success at international wine awards, with 28 major successes in 2023 reinforcing the exceptional quality of our wines. Highlights include Chapel Down Kit's Coty Coeur de Cuvée receiving gold medals in the International Wine Challenge, Decanter World Wine Awards and Wine GB Awards, and as the 'Best Prestige Cuvée Trophy' in the Wine GB Awards, as well as Kit's Coty Chardonnay and Bacchus still wines both winning Gold medals in the Wine GB Awards.

Outlook

- Current trading is in line with management expectations and our outlook for 2024 remains positive. We expect to deliver double digit sales growth in the year, weighted towards H2. We expect underlying profitability to return to normalised levels, with continued brand investment, a more typical harvest yield, plus an increased proportion of still wines and 'A Touch of Sparkle' in the sales mix due to the exceptional 2023 harvest.

- As previously announced, our next phase of growth, from 2026, incorporates plans for a new purpose-built winery, which we expect to be operational in time for the 2026 harvest (subject to final planning approval).

- Opportunities to secure new vineyard acreage will continue to be explored, as well as developing an expanded tourism offering at the Tenterden brand home, to accelerate future growth.

- Planting will begin at our newest vineyard at Buckwell, on the North Downs of Kent, in spring 2024. This will be 117 acres of Chardonnay and Pinot Noir, and will increase our planted vineyards to 1,023 acres (414 hectares).

- To capitalise on our medium-term growth opportunity, we are in advanced discussions to extend and increase our existing RCF to be drawn when required as part of the overall mix of funding for our investment plans.

1 Chapel Down listed on AIM on 7 December 2023. Consequently, the company has adopted IFRS as its accounting standard. All numbers shown, including comparatives (except where specified in note 2) are prepared under IFRS.

2 The IFRS standard requires netting Retrospective discount support (Retro), which is promotional price support given to customers by Chapel Down, from Net Sales Revenue ("NSR net of Retro").

Previously, Net Sales Revenue was reported before netting Retro ("NSR gross of retro"). All channel and category revenue splits in the Financial Highlights and CEO Strategic Review are shown in this transition year as NSR gross of retro, to enable like for like comparison.

3 Adjusted EBITDA relates to profit from operations before interest, tax, depreciation, amortisation, share based payment expense and exceptional costs.

4 Source, Nielsen.

5 Source, BrandVue.

Chairman's Commentary

2023 saw the continuation of the exceptional growth of the English wine industry. We continue to see the ongoing creation of a new global wine region, with a number of high quality vineyards, award-winning wines and an increase in wine-related tourism.

The English wine region's growth is enabled by the excellence of the terroir, with an abundance of south facing, chalk and clay slopes and a cool maritime climate that give rise to perfect conditions for traditional method sparkling wine production. Wine GB estimates that there were 10,695 acres (4,328 hectares) of vineyards planted at the end of 2023, and this is growing rapidly, up 180% over the past decade. The mid-point of Wine GB's industry forecast is to have 18,780 acres (7,600 hectares) of vineyards planted by 2032 and wine production increasing from 12.2m bottles in 2022 to 24.7m in 2032.

This quality underpins the increased growth in demand for English traditional method sparkling wine, with sales growth of 16% in the UK off-trade seen in 2023, whilst comparable UK off-trade Champagne sales[4] value declined by 9% in the year.

This quality and buoyant demand also continues to attract international interest. For example, Jackson Family Wines purchased land to create a new vineyard in 2023, and we expect the release of the first of Taittinger's English sparkling wines during 2024.

Within this exciting new global wine region, Chapel Down is the largest winemaker by both production and sales, as well as having the leading brand. We have 906 acres (367 hectares) of vineyards planted, predominantly on south facing chalk soils in the North Downs of Kent, which equates to 8.5% of all UK planted vineyards. Chapel Down will plant its newest vineyard at Buckwell in spring 2024. This will be 117 acres (47 hectares) of Chardonnay and Pinot Noir, and will increase our planted vineyards to 1,023 acres (414 hectares). Chapel Down's yields continue to increase, with a 5-year average of 3.3 tonnes per acre, significantly higher than the English average. The quality of our wines also continues to increase, evidenced by the outstanding number of awards won in 2023.

Chapel Down not only has the largest revenue in the industry but is already profitable at all levels. Chapel Down's scale allows the broadest distribution, and it helps manage unit costs that, in turn, drives further sustainable profitability.

Underpinning the business are an outstanding collection of assets, which are both long term in nature and very difficult to replicate. These include wine stocks of £22.6m, which have increased 44% in the year due to the exceptional harvest (2022: £15.6m). These significantly increased wine stocks give resilience against any potential future smaller harvest. We, additionally, have a very strong balance sheet and a £12m RCF, which was unused at year end.

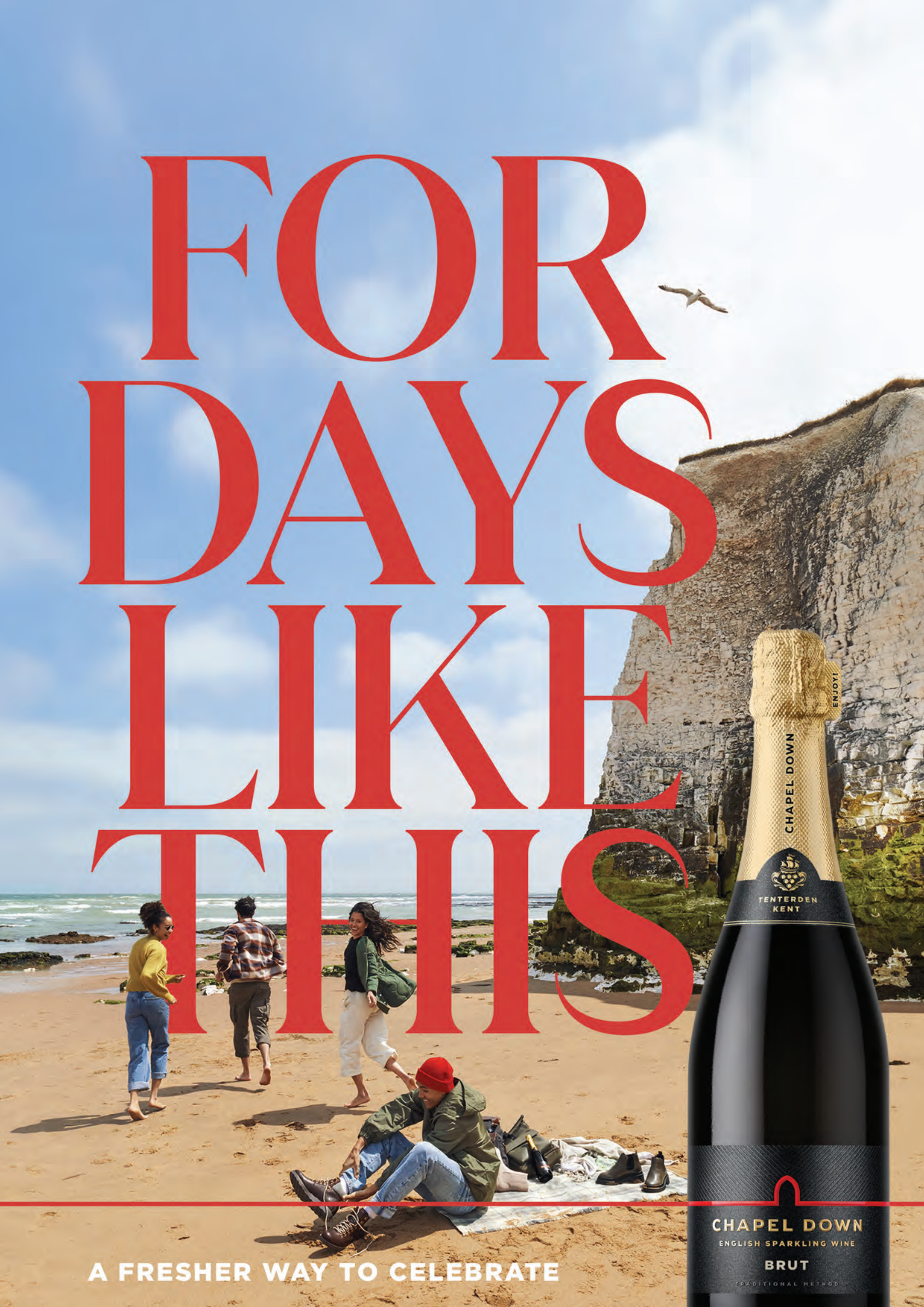
Furthermore, we have a world-class team in place, led by our CEO Andrew Carter, who will continue to deliver Chapel Down's continued outstanding leadership and performance. At the heart of our culture is a commitment to "deliver together" our ambitious plans and I am proud to note that from 2024, Chapel Down will be paying the real living wage as a minimum to all our employees.

These enduring sources of competitive advantage, and our complete focus on being England's leading and most celebrated winemaker, give us great confidence about the future. I remain hugely excited about the prospects for continued exceptional growth in the English wine industry but particularly for the market leader, Chapel Down.

Finally, I would like to thank all of our customers, our teams, growers, as well as our committed, loyal and enthusiastic shareholders, without whom these ongoing successes would not have been possible.

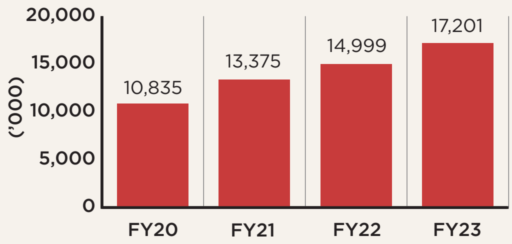
M.R. Glenn
Chairman

15 April 2024

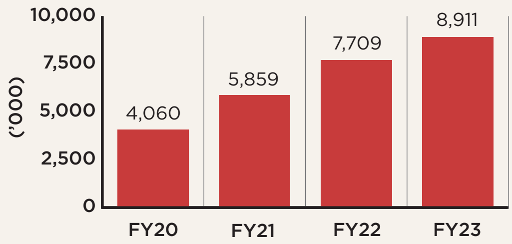

FOR
DAYS
LIKE
THIS
A FRESHER WAY TO CELEBRATE
CHAPEL DOWN
ENJOY!
TENTERDEN
KENT
CHAPEL DOWN
ENGLISH SPARKLING WINE
BRUT
TRADITIONAL METHOD

AT A GLANCE

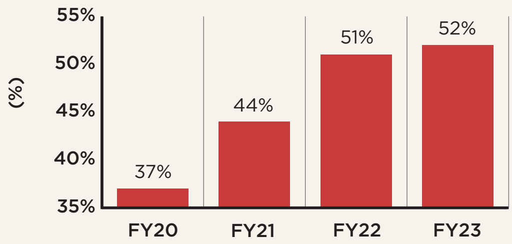
NET SALES REVENUE – NET OF RETRO



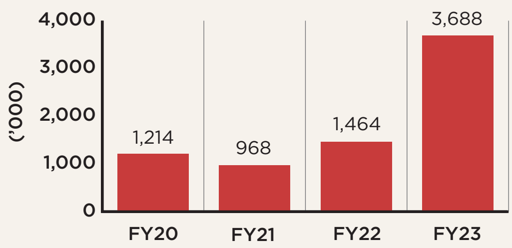
GROSS PROFIT



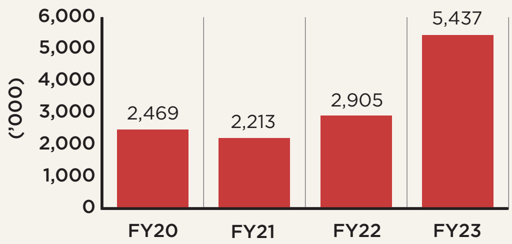
GROSS MARGIN %



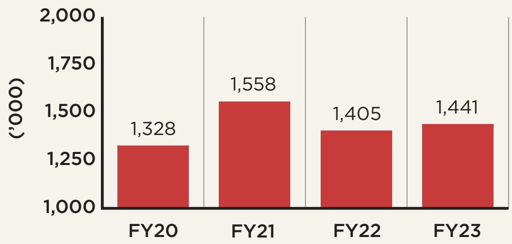
OPERATING PROFIT (PRE-EXCEPTIONALS)



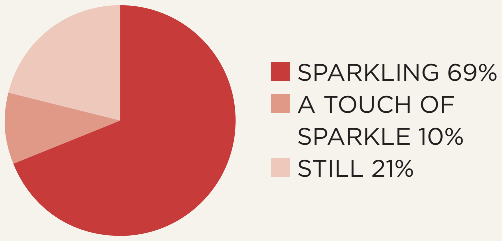
ADJUSTED EBITDA



SALES VOLUME (WINE)



PRODUCT MIX BY NSR (FY23)



CHANNEL SPLIT BY NSR (FY23)

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

Chapel Down Group Plc is pleased to announce the company's results for the 12 month period ended 31 December 2023.

The principal activity of the Group continues to be the production and sale of alcoholic beverages. A review of the business appears below. Our mission is to change the way the world thinks about English wine.

Chief Executive's Commentary

Chapel Down's vision is to be the leading and most celebrated English winemaker and I am proud of the team performance in 2023. As we continue to build our position as England's largest winemaker, we are at the forefront of the continued growth and development of the world's newest global wine region.

Chapel Down is the leading brand in English sparkling wine with higher awareness and penetration[5], and a larger social media following, than any other brand. We are positioned as a fresh, innovative challenger in the traditional method sparkling wine market, with our excellent, award-winning wines at the heart of the brand. We continue to premiumise the brand, as is reflected in our refreshed design, range architecture, continued strong ASP growth (+13%), and our brand leading position in sponsorship and events.

Our brand-defining traditional method sparkling wines are our focus. They are what we are famous for. Still wines and A Touch of Sparkle continue to play an important role in our portfolio, providing us with additional access points into the brand and operational integration, but we have now exited the spirits category, as flagged at H1. We are always looking at innovative new wine products and expect to be able to make exciting announcements in 2024 and beyond.

The scale and breadth of our distribution is unmatched and growing rapidly. We have an incredible home market, where English sparkling wine as a category grew 16% last year. However, domestic English sparkling wine sales are still only 3% of total sparkling wines and one tenth the size of UK Champagne sales[4]. This means there is still a significant amount of growth potential in the UK market, and we see increasing opportunities in export markets which are currently under-served by English sparkling wine.

Our direct-to-consumer (DTC) channel was 32% of our business this year (2022: 33%). We aim to maintain this share as the company grows since DTC helps rapid, continued brand build, as well as exciting consumer opportunities for the future, including the fast-growing wine tourism sector.

Performance Review

P&L account	2023 £'000s	2022 £'000s	% Change
Net sales revenue[2] – gross of retro	17,921	15,635	+15%
Retro[2]	(720)	(636)	+13%
Net sales revenue[2] – net of retro	17,201	14,999	+15%
Gross profit	8,911	7,709	+16%
Gross profit %	52%	51%	
Fair value movement in biological produce	2,171	(156)	
Operating profit before exceptional costs	3,688	1,464	+152%
Exceptional costs	(1,235)	(110)	
Operating profit	2,453	1,354	+81%
Profit before tax	2,307	1,236	+87%
Adjusted EBITDA[3]	5,437	2,905	+87%
Balance sheet account			
Stocks	22,581	15,645	+44%
Net assets	34,326	32,255	+6%
Net cash/(debt) excluding lease liabilities	(1,236)	3,262	
Key metrics			
Average selling price	£11.58	£10.29	+13%
Planted vineyards (acres/hectares)	906/367	788/319	+15%
EPS (basic/diluted)	0.95/0.94	0.49/0.49	+94%/+92%

Traditional method sparkling wine remains our strategic focus and largest category. NSR grew 25% to £12.0m (2022: £9.6m), driven by a mix of an increased ASP of 10% and a 12% volume increase to 887k bottles (2022: £789k). This ASP and volume growth was further augmented by some additional favourable product and channel mix movements.

Rosé traditional method sparkling wine was an outstanding growth story in the year with 47% volume growth to 262k bottles (2022: 178k). We believe there is a strong, ongoing consumer appetite for rosé traditional method sparkling wines.

A Touch of Sparkle grew NSR 7% to £1.5m (2022: £1.4m), driven by an 8% increase in ASP alongside a 1% decline in volumes to 179k bottles (2022: 180k). 'Black Friday' was particularly successful for A Touch of Sparkle sales, bringing new consumers into the English wine category.

Still wine NSR reduced 7% in the year to £2.6m (2022: £2.8m) with a 9% ASP increase being offset by a 14% volume decrease to 375k bottles (2022: 435k). Still wine is a competitive market, and in addition, there was an unwelcome increase in duty rates during the year which increased the consumer price, impacting volumes.

Spirits were an insignificant part of our business and NSR reduced by 7% to £0.6m (2022: £0.6m). Chapel Down reconfirms its planned exit from Spirits in Q1 2024.

Performance Review (continued)

NSR gross of retro[2]	2023 £'000s	2022 £'000s	% Change	% Wine sales
Traditional method sparkling	11,999	9,607	+25%	74%
A Touch of Sparkle	1,471	1,379	+7%	9%
Still	2,638	2,840	(7%)	16%
Spirits	553	592	(7%)	
Tours	689	675	+2%	
Other sales	571	542	+5%	
Total NSR gross of retro[2]	**17,921**	**15,635**	**+15%**	

The off-trade remains our largest distribution channel, accounting for 54% of wine sales in the year (2022: 57%). Off-trade NSR grew 9% to £9.0m (2022: £8.2m). Traditional method sparkling wines NSR grew 21% to £7.2m (2022: £5.9m), driven by premiumisation of pricing up 9%, as well as growth of distribution for 'premium' traditional method sparkling wine to 3,462 retail listings (2022: 2,991 retail listings). Chapel Down's off-trade value growth for traditional method sparkling wine of 21% continues to outpace the overall English sparkling wine category which grew 16% in the year[4] to £33m (2022: £29m). Off-trade value market share[4] was maintained at 35.4% (2022: 35.7%).

Strong momentum continued in the on-trade, with NSR growth of 26% to £2.2m (2022: £1.7m) driven by growing depth of visibility and availability in premium hospitality outlets. The on-trade saw continued excellent traditional method sparkling wine performance +39% to £1.3m (2022: £1.0m). ASP in the on-trade grew at 9%, again led by traditional method sparkling wine at 14%, reflecting the continued success of our premiumisation strategy. Total outlet distribution also grew strongly to 2,100 outlets (2022: 1,300). Chapel Down is now stocked in 76 of the UK's 200 most iconic venues, including The Ritz, The Lanesborough, and Nobu Hotels.

Continued consumer trial and an enhanced rate of sale is driven through more than 1,000 'by the glass' placements in the UK on-trade in the year, up 101% (2022: 536).

Whilst export only reflects 5% of wine sales (2022: 4%), it is the fastest growing distribution channel, with NSR up 67% to £0.9m (2022: £0.5m). Export was boosted by a very strong performance across the newly launched travel retail business. Distribution during the year grew to 36 stores in 14 UK travel hubs, including Heathrow, Gatwick, Luton, Stansted and London City airports, and our rate of sale was particularly strong. Chapel Down continues to maintain a highly selective export market focus, to balance current financial performance with future growth prospects. During the year, Chapel Down has continued to seed and develop the brand in 14 international markets with the key focus markets being USA, Scandinavia and UAE.

2023 was also a strong year for e-commerce, with NSR increasing 18% to £3.1m (2022: £2.6m). We had over 1m visits to our website (2022: 926k) and a 20% increase in order numbers. This was driven by 12,000 new customers, as well as an improved returning customer rate of 62% (2022: 60%). Our 'Black Friday' activity supporting A Touch of Sparkle was particularly successful, creating 2,700 new customers in a week.

In 2023, we welcomed 60,000 visitors to our brand home in Tenterden, and our tour numbers were flat at 26,000. Our overall retail and tours NSR increased 10% to £2.3m (2022: £2.0m). For the second year running, we were thrilled to have been awarded the Tripadvisor 'Travellers' Choice Award' for 2023, placing us in the top 10% of attractions worldwide. The award is in recognition of our consistent high-scoring Tripadvisor reviews where we have received an average of 4.5/5 stars.

Total direct-to-consumer NSR was £5.7m, a growth of 11% (2022: £5.1m). DTC is 32% of our business this year (2022: 33%), and we aim to maintain this share as the company grows. DTC allows us to build brand affinity more strongly, as well as enabling exciting consumer opportunities for the future, including the fast-growing wine tourism sector.

Performance Review (continued)

NSR gross of retro[2]	2023 £'000s	2022 £'000s	% Change
Off trade	8,968	8,192	+9%
On trade	2,176	1,730	+26%
Export	885	530	+67%
e-Commerce	3,070	2,599	+18%
Retail & Events	1,561	1,368	+14%
Tours	689	675	+2%
Other sales	541	524	+3%
Other income	30	17	+78%
Total NSR gross of retro[2]	**17,921**	**15,635**	**+15%**
Total DTC	5,684	5,106	+11%

Chapel Down remains strongly profitable at all levels. We are a well-established business, with the scale to create profitable revenues, which underpins a strong balance sheet and provides a sustainable platform for future growth.

Gross profit increased 16% to £8.9m (2022: £7.7m). The biggest component of this was an increase in ASP by 13%, as well as a small shift in sales mix towards e-commerce and export.

Administrative costs grew 21% to £7.4m (2022: £6.1m) reflecting a continued strong investment in our sales and operations teams, as well as the increase in customer and consumer marketing which continues to grow the strength of the brand.

Operating profit before exceptionals grew strongly, up 152% to £3.7m (2022: £1.5m), boosted by the grapes Fair Value (FV) adjustment on the exceptional 2023 harvest of £2.2m (2022: -£0.2m). The FV adjustment is part of the IFRS accounting standard and reflects the "viticulture profit" for the year. The FV adjustment is calculated as the estimated market value of grape production less the vintage's growing costs. The grape juice then enters wine stocks at this assessed FV and is thus reflected in future cost of goods sold. Further details of the FV adjustment can be found in note 16 to the Group accounts.

Exceptional costs of £1.2m reflect both the listing costs associated with AIM, and the successful implementation of a new cloud-based ERP system alongside the initial phase of a new cloud-based CRM as part of the creation of a single, cloud-based technology and data platform. IFRS accounting policy requires cloud-based technology builds to be expensed.

Operating profit grew strongly, up 81% to £2.5m (2022: £1.4m) as did Profit before Tax (PBT), up 87% to £2.3m (2022: £1.2m). EBITDA also grew 87% to £5.4m (2022: £2.9m). PBT and EBITDA growth are driven by profitable trading but also the fair value adjustment on grapes from an exceptional harvest.

Operational Review

Favourable growing conditions at key periods throughout 2023, combined with the skill of our world-class viticulture and winemaking teams, enabled the delivery of a harvest of exceptional grape quality and yield. Across our 750 fully productive acres (304 hectares) under vine, we harvested a record 3,811 tonnes of grapes. This tonnage is 86% higher than 2022 (2,050 tonnes), and 75% higher than Chapel Down's previous record posted in 2018 (2,173 tonnes).

The majority of grapes (c.80%) harvested were of varieties primarily used for traditional method sparkling wine, in line with the Company's strategy to focus on its higher margin award-winning sparkling wines, which benefit from the cool maritime climate and chalk soils of the North Downs of Kent. The 2023 vintage of traditional method sparkling wines will predominantly be sold from 2026.

In spring 2023, we completed the planting of our exceptional Boxley Abbey vineyard on the North Downs of Kent. This includes 42 acres (17 hectares) of Chardonnay and 76 acres (31 hectares) of Pinot Noir for the production of traditional method sparkling wine and brings our owned and leased holding on this escarpment of Kent Downs chalk to a total of over 595 acres (241 hectares) of planted vineyard. In total, we now have 906 acres of planted vineyards (367 hectares).

In the first half of 2023 we launched our new brand identity, which gives Chapel Down a more premium, modern and distinctive look. We invested in more premium materials and finishes to ensure that our packaging lives up to the quality of our wines. The new identity has been rolled out across all of our packaging, communications, website, events, sponsorships and brand home. Our new brand identity has been received well by our consumers, customers, shareholders and employees.

The Chapel Down brand continues to grow strongly. We have a market share[4] in the UK off-trade of 35.4%, a prompted brand awareness of 39% and a 12-month penetration rate[5] of 14%. These market share, brand awareness and penetration scores are higher than for any other English winemaker. This growing brand strength comes from significant investments made during the year. Our sponsorship and events programme were a great success. We were the 'Official Sparkling Wine' of The Boat Race, with the winning men's and women's crews presented with bottles of Chapel Down sparkling wine, which was televised live on BBC One. As 'Official Sparkling Wine' of the England Cricket Board, the 'Player of the Match' for both the men's and women's teams in last year's Ashes series received a bottle of Chapel Down sparkling wine, which was televised on Sky Sports with a peak audience of 2m.

During the year, we also became the 'Official English Sparkling Wine' of Tom Kerridge's Pub in The Park, the biggest food and music festival tour in the UK, at which our branded airstream sold a range of our sparkling wines at 10 locations across the south of England. A new 3-year agreement was also signed with Ascot racecourse, which will come fully into effect in 2024, and marks the first time in the 300-year history of the prestigious British racecourse that an English wine brand has become an Official Supplier.

Our social media following grew 13% during the year to over 105k followers across all social media channels (2022: 93k), making us the most followed English wine brand. In addition, our consumer database grew 8% to 96k (2022: 89k).

Finally, one particular highlight – in celebration of English Wine Week – was when we took Chapel Down to the Champagne region of France under the guise of 'Chapelle en Bas' to run a blind taste test versus a leading champagne brand. 60% of participants preferred the taste of Chapel Down, which continues to generate significant media exposure in the UK and France.

1 Chapel Down listed on AIM on 7 December 2023. Consequently, the company has adopted IFRS as its accounting standard. All numbers shown, including comparatives (except where specified in note 2) are prepared under IFRS.

2 The IFRS standard requires netting Retrospective discount support (Retro), which is promotional price support given to customers by Chapel Down, from Net Sales Revenue ("NSR net of Retro").

Previously, Net Sales Revenue was reported before netting Retro ("NSR gross of retro"). All channel and category revenue splits in the Financial Highlights and CEO Strategic Review are shown in this transition year as NSR gross of retro, to enable like for like comparison.

3 Adjusted EBITDA relates to profit from operations before interest, tax, depreciation, amortisation, share based payment expense and exceptional costs.

4 Source, Nielsen.

5 Source, BrandVue.

Sustainability

Chapel Down is committed to delivering its long-term growth ambitions and aspires to sustainability leadership in the English wine sector. We will develop best-in-class environmental frameworks and sustainability measures, focusing on the development of relevant, meaningful and measurable sustainability plans that benefit the business and the environment in which it operates.

Significant work was undertaken in 2023 to understand the total company carbon footprint and identify opportunities for reductions and improvements. Changes have already been implemented to decrease emissions and increase efficiency, alongside vineyard plantings & ecosystem management to maximise sequestration. Our plans and timelines to establish a net zero position will be further developed and communicated through 2024.

We are committed to working in harmony with nature and continue to maximise opportunities to increase biodiversity and create habitats for wildlife on our estates. With the growth of our business, we continue to manage our waste, energy, water and supply chain responsibly, for example, all of our energy is sourced from renewable sources, including the use of waste grape skins.

Moving through 2024, Chapel Down will continue to measure and manage key elements of sustainability and in H2 we will publish our sustainability strategy and targets in context of the company's future growth plans.

Outlook

Current trading is in line with management expectations and our outlook for 2024 remains positive. We expect to deliver double digit sales growth in the year, weighted towards to H2. We expect underlying profitability to return to normalised levels, with continued brand premiumisation being offset by more typical harvest yields, plus an increased proportion of still wines and A Touch of Sparkle in the sales mix, due to the exceptional 2023 harvest.

As previously announced, the Company's next phase of growth incorporates plans for a new purpose-built winery, which the Company expects to be operational in time for the 2026 harvest (subject to final planning approval being granted at a judicial review in May 2024).

The Company will continue to explore opportunities to secure new acreage and develop an expanded tourism offering at the Tenterden brand home to accelerate future growth. Chapel Down will plant its latest vineyard at Buckwell in spring 2024. This will be 117 acres (47 hectares) of Chardonnay and Pinot Noir, and will increase our planted vineyards to 1,023 acres (414 hectares).

To capitalise on our medium-term growth opportunity, the Company is in advanced discussions to extend and increase its existing RCF, to be drawn when required as part of the overall mix of funding for its investment plans.

Chapel Down has a great team and is well positioned in an exciting growth market. The creation of a new global wine region is rare, and we are excited to be leading the way. I remain hugely confident and excited about the future of English wine and Chapel Down.

I would like to conclude by thanking our customers, our teams, our growers and shareholders for their ongoing support. We are looking forward to continuing this journey together in 2024, with huge anticipation and excitement.

This report was approved by the board on 15 April 2024 and signed on its behalf.

A.J. Carter
Chief Executive Officer

SECTION 172 STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2023

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

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

The Board has identified that its key stakeholders are:

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

Chapel Down's core values are: We are challengers; We deliver together; We take personal ownership; and We act profitably and sustainably. These values are embedded in our continuous personal development program and ensure that we act consistently in the interests of our stakeholders.

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

Employees

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

Shareholders

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

Customers

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

Suppliers

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

Community and Environment

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

This report was approved by the board on 15 April 2024 and signed on its behalf.

A.J. Carter
Chief Executive Officer

BUSINESS RISKS AND UNCERTAINTIES

FOR THE YEAR ENDED 31 DECEMBER 2023

Climate change, poor weather or crop disease

Grape yields and product quality can be affected by certain adverse weather patterns such as late frosts during the growing season. The Group monitors frost or inclement weather through the use of weather stations across the vineyards and frost defence mechanisms are applied when this risk is heightened around bud burst. Pruning, tying down and canopy trimming are also performed at appropriate times during the annual vineyard cycle to maximise grape yield and quality. In addition, the Group sources grapes from multiple vineyards to reduce exposure to single site risks, as well as selecting sites which minimise frost risk. However, there is no guarantee that these methods completely remove the risk of adverse weather conditions negatively affecting grape yields and product quality due to the increased risk of climate change affecting weather conditions throughout the United Kingdom and globally.

Given the Group's business involves growing crops, it is possible that crop disease, fungal infections or other natural blight could affect grape yields and product quality. These risks can be mitigated through good viticulture practices, for example vineyards are sprayed with chemicals, fungicides and fertilisers at appropriate points during the year using a risk-focused approach to ensure adequate soil quality. As noted above, the Group also sources, grapes from multiple vineyards to reduce exposure to single-site risks and it closely monitors stock levels to minimise the impact of lower yielding harvests that may result from poor weather or crop disease. As with climate and weather-related risks, there is no guarantee that these mitigation techniques completely remove the risk of crop related diseases impacting grape yield and product quality and, as a result, the Group's financial performance.

Reputation and brand recognition

The reputation of the Chapel Down brand is integral to the success of the Group and its planned growth over the coming years. Consumers rely heavily upon many factors that, in part, lie outside the control of the Group, such as online reviews, blogs and media coverage. Negative reviews from customers with significant numbers of followers could have a detrimental impact upon the reputation of the Group. While Chapel Down in the most part has seen positive media coverage to date, there can be no assurances that coverage of this level will continue or will continue to be positive. Negative press coverage, or a reduction in press coverage could have a detrimental impact on the Group's reputation, financial condition and results from operations.

Reduction in quality

The success of the Group's business depends upon the positive image consumers have of its products. A lack of quality in the products or contamination of the products, whether occurring accidentally or through deliberate action, could harm the integrity of, or consumer support for, the Group's brand and could adversely affect sales.

The Group relies in part on third parties for bottling, packaging and distribution, although a large proportion of the production process is managed by the Group in-house. The Group may be subject to liability if contaminants or defects occur in the bottling or post-production handling processes, such contamination could lead to low product quality or illness or injury to consumers. In addition, while to date the Group has not had any product recalls, the Group may in the future voluntarily recall or withhold from sale, or be required to recall or withhold from sale, products in the event of contamination or default.

A significant product liability judgment or widespread product recall may negatively impact the reputation of the Group's brand for a period of time. Even if a product liability claim is unsuccessful or is not fully pursued, resulting negative publicity could adversely affect the Group's brand image, which may have a material adverse effect on the Group's prospects, results of operations and financial condition.

Key personnel and retaining highly skilled individuals

The Group's success will depend to a large extent on the experience and talent of key personnel, in particular, on the continued services and performance of its executive Directors and senior management (such as the Group's Head Winemaker) and also on its ability to recruit and retain suitably qualified and experienced employees (such as suitably experienced and competent viticulture and winemaking employees). The loss of the services of any member of the executive Directors or senior management and a failure to replace them with an individual who has similar levels of experience, knowledge and connections in the industry could have an adverse effect on the Group's operations. Finding and hiring any such replacements could be costly and might require the Group to offer significant incentive compensation which could adversely impact financial results.

The Group may not be able to attract and retain such individuals in the future, which could have a material adverse effect on the Group's prospects, results of operations and financial condition. The loss of certain individuals in non-managerial positions may also have a material adverse effect on the Group's business where such individuals possess specialised knowledge that is not easily replaceable, such as specialist knowledge of the Group's vineyards. The Group looks to minimise this risk through competitive remuneration and the Group's Long Term Incentive Plan.

Dependence on key customers

The Group's business is dependent on certain key trade customers. The relationship of the Group with its key trade customers could be materially adversely affected by a number of factors, including a decision by a key trade customer to diversify or change its arrangements in relation to the products supplied by the Group, or by an inability to agree on mutually acceptable pricing terms with any one of its key trade customers. If the Group's commercial relationships with any of its key trade customers terminates for any reason, or if one of its key trade customers significantly reduces its business with the Group and the Group is unable to enter into similar relationships with other customers on a timely basis, or at all, it may have a material adverse effect on the Group's business, prospects, and financial condition.

Regulatory change may impact the Group's ability to pursue its strategy

The Group's products are subject to various laws, regulations and standards. There can be no assurance that future laws, regulations and/or standards will not have an adverse effect on the manner in which the Group operates. The application or modification of existing health, food and drink safety regulations could increase costs and may also have an adverse effect on sales if, as a result, the public attitude or consumer spending habits are affected; changes to laws and regulations relating to manufacturing and bottling requirements, packaging and labelling requirements, recycling requirements, licensing requirements, advertising restrictions or standards (including any restrictions, requirements or prohibitions in relation to the advertising of alcoholic drinks or any laws and regulations relating to minimum pricing), or the sale or consumption of alcoholic drinks; and any changes to laws and regulations relating to e-commerce or online operations which could also damage the Group's direct to consumer business. Modifications or the adoption of new laws or regulations in these areas, or in relation to import regulations or alcohol duty or any regulatory definition of English wine (for example, allowing grapes grown overseas but which are processed in the UK to be called English wine) may have a material adverse effect on the Group's prospects, results of operations and financial condition.

Potential requirement for further investment

To maximise growth potential, the Group may require additional capital in the future for expansion, its activities and/or business development, whether from equity or debt sources. There can be no guarantee that the necessary funds will be available on a timely basis, on favourable terms, or at all, or that such funds if raised, would be sufficient to finance such growth opportunities. The Company has a £15 million asset-based business credit facility with PNC Financial Services UK Limited, constituting a £12 million revolving credit facility (the "RCF") and £3 million term loan. The RCF can be terminated on three months' notice by either the Group or the lender. Should the lender terminate the RCF, the Group may be forced to curtail or abandon expansion activities and/or business development, impacting its growth trajectory.

If additional funds are raised by issuing equity securities, dilution to the then existing shareholdings may result. Shareholders may also experience subsequent dilution and/or such securities may have preferred rights, options and pre-emption rights ranking ahead of the ordinary shares. The level and timing of future expenditure will depend on a number of factors, some of which are outside of the Group's control. If the Group is not able to obtain additional capital on acceptable terms, or at all, it may be forced to curtail or abandon such expansion and/or business development.

Supply chain, outsourced production, packaging and storage

The Group's business would be adversely affected if there were a significant disruption to any of the Group's production, storage or distribution operations. The Group currently carries out sparkling wine bottling through one main supplier, Institut Oenologique de Champagne ("IOC") and packaging primarily through one main supplier, Berlin Packaging UK Ltd.

In the event of the insolvency of any one of the Group's production, packaging or distribution providers, or any other termination of such operations, the Group may not be able to arrange for alternative production, packaging or distribution on as favourable terms, or with sufficient speed to ensure continuity of business. Whilst there are annual purchase orders with certain key suppliers, there are no long-term fixed price contracts in place with some of the Group's suppliers. This is under constant review by the Group. The Group works closely with suppliers to procure raw materials in good time throughout the annual cycle however the Group may be exposed to fluctuations in prices of raw materials, particularly in an inflationary environment, which may have an adverse effect on the Group's prospects, results of operations and financial condition.

In relation to the Group's storage facilities, if there were a fire, explosion or any other event resulting in a major or prolonged disruption at any of the facilities used by the Group, this could result in a significant loss of stock which could have a material adverse effect on the Group's prospects, results of operations and financial condition. The Group spreads its stock across multiple sites to minimise the risk of material stock-loss and carries comprehensive insurance.

Competition

With the anticipated continuing growth in vineyard plantings in the South of England and across the United Kingdom, the supply of English sparkling wine is likely to continue to increase and provide increased competition from other suppliers. The principal competitive factors in the Group's industry include product range, branding, pricing, product quality, distribution capabilities and responsiveness to changing consumer preferences and demand. There can be no assurance that the actions of competitors will not affect the Company. This may adversely affect retail prices of English sparkling wine and the assumed levels of pricing in the Group's growth strategy may not be achieved. The English sparkling wine industry may also face stronger competition from similar overseas products. The Group's strategy remains to produce the highest quality products and develop the Chapel Down brand in the United Kingdom and globally, as evidenced through the recent premiumisation of the brand, and to attract and retain customer loyalty.

Intellectual Property

The Group cannot fully ensure that third parties will not infringe on or misappropriate the Group's intellectual property rights by, for example, imitating the Group's products, asserting rights in, or ownership of, the Group's trademarks or other intellectual property rights or in trademarks that are similar to trademarks that the Group owns and licenses. Further, the Group may fail to discover infringement of its intellectual property, and/or any steps taken or that will be taken by it may not be sufficient to protect its intellectual property rights or prevent others from seeking to invalidate its trademarks or block sales of its products by alleging a breach of their trademarks and intellectual property. Applications filed by the Group in respect of new trademarks may not be granted. In addition, some of the Group's intellectual property, such as brands that are deemed generic, may not be capable of being registered as belonging to the Group in all types of trademarks and all classes and the Group may, therefore, have difficulty protecting such intellectual property. Further, the Group may not be able to prevent others from using its brands (or other intellectual property which is not registered as belonging to the Group) at all or in a particular market.

Data security

The Group uses information technology systems for the processing, transmission and storage of electronic data relating to its operations, financial reporting and customer base. Communications among the Group's personnel, customers and suppliers relies on the efficient performance of information technology systems. Despite the Group's security measures and safeguarding controls in place, its information technology and infrastructure may be vulnerable to attacks by hackers, computer viruses or malicious code or may be breached due to employee error, malfeasance or affected by other disruptions. Additionally, in the event of significant and long-lasting failure or denial of service attack at one of the Company's critical suppliers, significant trade partners or Chapel Down's website, the Company's e-commerce platform may be unavailable to consumers for an extended period. If one or more such events occur, it could cause disruptions or delays to the Group's operations and result in the loss of confidential information, which could expose the Group to liability and cause its business and reputation to suffer. Any of the foregoing could have a material adverse effect on the Group's prospects, results of operations and financial condition.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

The directors present their report and the financial statements for the year ended 31 December 2023.

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, with the Group financial statements being prepared in accordance with International Financial Reporting Standards as adopted by the UK, and the Parent Company financial statements being prepared in accordance with United Kingdom Generally Accepted Accounting Practice under Financial Reporting Standard 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the Group and of the profit or loss of the Group for that period.

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

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether the Group financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the UK, and the Parent Company financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice under Financial Reporting Standard 101, subject to any material departures disclosed and explained in the financial statements; and
- 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 £1,527,350 (2022 – £784,374). The directors do not recommend the payment of a dividend.

Directors

The directors who served during the year were:

J. D. Brooke
A. J. Carter
S. C. Gilliland
M. R. Glenn
R. A. C. Smith
M. A. Spencer (appointed 29 June 2023)
N. W. Wray
S. A. Wren
S. H. Emeny (resigned 29 June 2023)

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

Substantial Shareholders

The Group is aware of the following shareholdings which represent 3% or more of the Company's issued ordinary shares as at 31 December 2023:

Shareholder	Number of Ordinary Shares	Percentage of Issued Share Capital
IPGL*	45,823,821	26.74%
Nigel Wray**	23,631,970	13.79%
Frazer Thompson	7,442,083	4.34%
Adrian Bridge***	6,335,571	3.70%

* Includes 178,571 ordinary shares held by Lord Spencer of Alresford, beneficial owner of IPGL, in his own name.

** Of the above total, 21,195,571 ordinary shares are held by family trusts whose beneficiaries are Nigel Wray's children. The balance of ordinary shares represents Nigel Wray's beneficial holding.

*** Of the 6,335,571 ordinary shares held by Adrian Bridge, 5,135,571 ordinary shares are held by Bridgeport Investments Limited, a company that Adrian Bridge and family are beneficiaries of, with the balance held through Banco Santander Totta.

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. The Group actively manages its financial risk in order to meet its foreseeable needs in the short and medium term.

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

Company law requires the directors to consider the appropriateness of the going concern basis when preparing the financial statements. Having considered the period to December 2025, the directors confirm that they consider that the going concern basis remains appropriate. The Group has been able to maintain a healthy cash position throughout 2023 and continues to have access to sufficient cash resources via the £12m revolving credit facility provided by PNC Business Credit, which was fully undrawn as at year-end.

The Directors believe that the Group has sufficient resources to continue in operational existence for the foreseeable future. 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.

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

This report was approved by the Board on 15 April 2024 and signed on its behalf.

A.J. Carter
Chief Executive Officer

WORLD CLASS TEAM

We have a hugely experienced and talented Board of Directors, all of whom hold a significant amount of shares in the Company. It is a team who are motivated to grow long term shareholder value.

MARTIN GLENN
Non-executive Chairman

Martin has held the role of Non-executive Chairman since 2020. He is also Chairman of the Football Foundation and PGMOL, and is a NED at Froneri. Martin was previously CEO of the Football Association, United Biscuits and PepsiCo UK/Ire.

ANDREW CARTER
Chief Executive Officer

Andrew is the CEO of the Company, having been appointed in September 2021. He previously held various other roles within the beverages industry including Managing Director of Chase Distillery as well as senior management roles at Treasury Wine Estates, Bacardi and Bulmers.

ROBERT SMITH
Chief Finance Officer

Robert has been a member of the Board since 2022, employed as the CFO. Robert is a qualified Chartered Accountant, having previously held a partnership at PwC LLP for 13 years. He has been a shareholder of the Company since 2006.

JAMIE BROOKE
Independent Non-executive Director

Jamie has held position as a NED on the Board since 2013. He previously held positions as fund manager at both Henderson Global Investors and Lombard Odier Investment Managers.

STEWART GILLILAND
Independent Non-executive Director

Stewart was appointed to the Board in 2021 and is currently Chair of IG Design Group plc, whilst also holding NED board positions at Tesco plc and Natures Way Foods.

MICHAEL SPENCER
Non-executive Director

Michael was appointed to the Board on 29 June 2023 and is currently Chairman of IPGL Ltd. Michael is a Member of the House of Lords and founded Nex Group, formerly ICAP.

NIGEL WRAY
Non-executive Director

Nigel was appointed to the Board in 2004 and is awell-known private investor.

SAMANTHA WREN
Non-executive Director

Appointed to the Board in 2019, Samantha is currently Chairman of the Remuneration committee and audit chair of the City of London Investment Trust plc.

EXECUTIVE LEADERSHIP TEAM

We are delighted to introduce you to our passionate Leadership Team with significant drinks and investment experience.

ANDREW CARTER
Chief Executive Officer

Andrew is the CEO of the Company, having been appointed in September 2021. He previously held various other roles within the beverages industry including Managing Director of Chase Distillery as well as senior management roles at Treasury Wine Estates, Bacardi and Bulmers.

ROBERT SMITH
Chief Finance Officer

Robert has been a member of the Board since 2022, employed as the CFO. Robert is a qualified Chartered Accountant, having previously held a partnership at PwC LLP for 13 years. He has been a shareholder of the Company since 2006.

JOSH DONAGHAY-SPIRE
Operations Director & Head Winemaker

Chapel Down Group Winemaker since 2010 and promoted to Operations Director in 2022. Having graduated at Plumpton Vinology College, Josh has previous winemaking experience in Champagne, Alsace and Stellenbosch.

TOM HEPWORTH-BOND
Sales Director

Chapel Down Group Sales Director since 2021. Formerly held senior sales roles at Chase Distillery and Bibendum.

LIAM NEWTON
Chief Marketing Officer

Chapel Down Group CMO since 2022. Former VP of Marketing at Carlsberg, as well as senior marketing roles at Bacardi, AB InBev and Nestlé Rowntree.

DENISE CLAXTON
People Manager

Chapel Down Group People Manager since 2024. Extensive senior HR experience within the wine industry, including Liberty Wines.

OUR CUSTOMERS

WE ARE AVAILABLE NATIONALLY THROUGH A BROAD MIX OF RETAILERS

SELFRIDGES&Co | FORTNUM & MASON EST 1707 | Harrods

Majestic wines · beers · spirits | WAITROSE & PARTNERS | BOOTHS FOOD, WINE AND GROCERY

M&S EST. 1884 | Sainsbury's | TESCO

ocado | amazon

AND HAVE A STRONG PRESENCE ACROSS HOSPITALITY VENUES IN THE UK

NOBU | THE PIG | H&F | LE MANOIR AUX QUAT'SAISONS A BELMOND HOTEL OXFORDSHIRE

SAVOY | INCEPTION GROUP | RAREBREED DINING

BRASSERIE & BAR BROWNS ESTABLISHED 1973 | HARBOUR HOTELS | Marriott HOTELS & RESORTS | 1799 GREENE KING BURY ST EDMUNDS

2023 AWARDS

WE ARE ONE OF THE MOST HIGHLY AWARDED ENGLISH WINE BRANDS

GOLD MEDAL WINNER – CHAPEL DOWN KIT'S COTY COEUR DE CUVÉE 2016

"Rich and eloquent with pineapple and fig aromas. Lots of oak, powerful, rich, and intense for impressive complexity. Very serious style but pulls it off."

JUDGES' COMMENTS, DECANTER WORLD WINE AWARDS 2023

BEST STILL BACCHUS TROPHY AND GOLD MEDAL WINNER – CHAPEL DOWN KIT'S COTY BACCHUS 2020

"Lovely distinctive stewed herbs, nettles, and cream on the nose. Multilayered and very characterful with fresh acidity, white currant crunch and a long-roasted nut finish."

JUDGES' COMMENTS, WINE GB AWARDS 2023

OUR PARTNERSHIPS

Chapel Down's status as the most recognised English wine brand is supported by its partnerships with flagship sporting and cultural events including Ascot, The Boat Race and Pub in the Park, and Chapel Down is the 'Official Sparkling Wine' of the England and Wales Cricket Board.

ECB

THE BOAT RACE
OXFORD CAMBRIDGE

ROYAL ASCOT
OFFICIAL ENGLISH SPARKLING WINE

PUB IN THE PARK


CHAPEL DOWN
A FRESHER
FOR

WHAT MAKES ENGLAND, AND SPECIFICALLY KENT, SO SPECIAL?

Our vineyards are planted predominantly on the North Downs of Kent, with south facing chalk slopes and ideal warmer weather.

We also have other partner vineyards which are planted on clay, chalk and greensand across the Weald of Kent and Sussex, as well as the clay in Essex, which offers a variety of terroirs suitable for the cultivation of exceptional quality fruit.

Much has been said about the unique relationship between chalk and Champagne and how the vines grown on these ancient calcareous soils produce the best fruit for this wine style. However, it's not until you see this with your own eyes and taste the fruit that you begin to truly understand the significance of what is being planted in England, less than 200 miles away from the Champagne region in North Eastern France.

Our Kit's Coty wines are testament to this. These multi award-winning wines speak for themselves.

There is much to consider: the right balance between fruit quantity and leaf area on the vines; maintaining healthy fertile soils; the influence of climate and seasonal weather such as rainfall, temperature, and sunlight. All of which need careful monitoring and managing to ensure that the vines deliver exceptional fruit at harvest time for the winemaking team to weave their magic.

It's about keeping balanced and healthy vines to produce balanced and healthy fruit that has purity and rich, intense flavours.

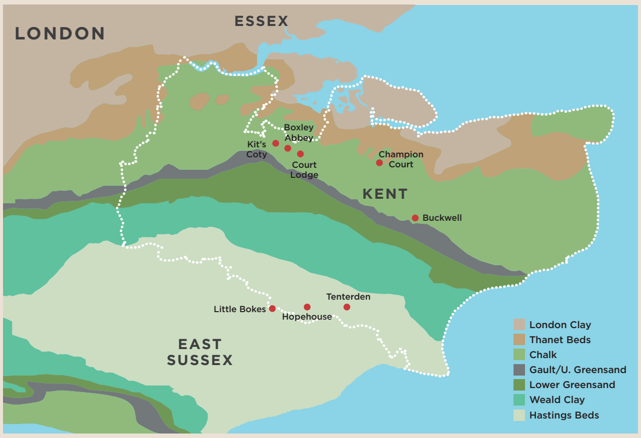
Richard Lewis
Head of Viticulture

2023 PLANTINGS

In 2023 we continued to grow our vineyard acreage to meet the increasing demand for our award-winning wines. In May we planted 118 acres of Chardonnay and Pinot Noir at our Boxley Abbey Vineyard, which sits adjacent to Kit's Coty, on the chalk soils of the Kent Downs.

In 2023 we harvested from 550 fully productive acres on the North Downs out of a total of 750 fully productive acres we have across all of our sites. Planning is well underway for 2024 plantings at Buckwell on the Kent Downs near Wye, which will take the Company's total land under vine to 1,023 acres.

Completing the planting at our Boxley Abbey vineyard site was an incredible achievement for us. It has been enlightening to learn how the terroir of these sites differs, which is something we will share with our customers as the vineyards mature. The next phase of our exploration of Kent terroir is at Buckwell Vineyard where the gentle chalk slopes face South East, rather than the characteristic South West of Kit's Coty and Boxley Abbey. This exploration will help define the future style of English Sparkling Wine and the birth of Kent as a wine region is something we're humbled to be a part of.



2023 HARVEST

"Our industry enjoyed remarkably favourable growing conditions in 2023, but converting this into a harvest of unprecedented scale and quality is thanks to the skill and commitment of our world class viticulture and winemaking teams. English wine is enjoying rapid growth as it establishes itself as the newest and most exciting global wine region, and Chapel Down continues to lead the way. With the majority (c.80%) of this year's harvest yielding traditional method sparkling grape varieties, this crop will both underpin future volume growth and support our strategic focus on the higher margin sparkling wines in the Chapel Down range."

ANDREW CARTER, CHIEF EXECUTIVE OFFICER

THE ART OF WINEMAKING

After picking, all our fruit is gently pressed enabling us to extract different parts of the juice from the berry using different stages of the pressing cycle.

For our Traditional Method sparkling wines all our fruit is handpicked and only the best portion of juice is used. Most of our wines are fermented in stainless steel to retain the aromatic delicacy you find in English grapes. Dependent upon vintage conditions, our Traditional Method sparkling wines may go through malolactic fermentation in order to soften the acidity before blending, which in turn allows us to work with lower dosage (sugar) levels.

When bottling, we use dark, ebony bottles to eliminate the possibility of damaging UV light affecting our Traditional Method sparkling wines. After bottling, the Brut, Rosé and Rosé Reserve wines spend an average of 18 maturing months on lees, whereas the Grand Reserve spends a minimum of 36 months before disgorging. Similarly, our Kit's Coty sparkling wines need at least three years to show their complex beauty.

The wines are then further aged in bottle before being released to customers across the UK for the enjoyment of consumers. Favourable growing conditions at key periods of vine growth throughout 2023 have enabled the delivery of a harvest of high grape quality and exceptional yield. At this early stage in the winemaking process, the 2023 wines are displaying a light and delicate character with good purity of fruit. Across our 750 fully productive acres under vine, we delivered a record 3,811 tonnes of grapes. This tonnage is 86% higher than 2022, and 75% higher than Chapel Down's previous record posted in 2018.

The 2023 harvest is expected to enable the production of approximately 3.4 million bottles of high-quality sparkling and still wines underpinning our future growth plans.

The majority of grapes (c.80%) harvested were of varieties used for Traditional Method sparkling wine, in line with the Company's strategy to focus on higher margin award-winning sparkling wines, which benefit from the cool maritime climate and chalk soils of the North Downs of Kent.

Josh Donaghay-Spire
Operations Director and Head Winemaker

SUSTAINABILITY

Chapel Down is committed to delivering its long-term growth ambitions and aspires to sustainability leadership in the English wine sector.

We will develop best-in-class environmental frameworks and sustainability measures, focusing on the development of relevant, meaningful and measurable sustainability plans that benefit the business and the environment in which it operates.

Significant work was undertaken in 2023 to understand the total company carbon footprint and identify opportunities for reductions and improvements. Changes have already been implemented to decrease emissions and increase efficiency, alongside vineyard plantings & ecosystem management to maximise sequestration. Our plans and timelines to establish a net zero position will be further developed and communicated through 2024.

We are committed to working in harmony with nature and continue to maximise opportunities to increase biodiversity and create habitats for wildlife on our estates. With the growth of our business, we continue to manage our waste, energy, water and supply chain responsibly, for example, all of our energy is sourced from renewable sources, including the use of waste grape skins.

Moving through 2024, Chapel Down will continue to measure and manage key elements of sustainability and in H2 we will publish our sustainability strategy and targets in context of the company's future growth plans.

AS WINEMAKERS, AT CHAPEL DOWN WE THINK NOT JUST IN YEARS, BUT IN GENERATIONS.

LAND MANAGEMENT

- We mulch our prunings back into the vineyard soil returning organic matter to the earth and helping to sequester carbon
- We have established wildflower corridors through our vineyards to provide habitat for insect biodiversity
- We keep our grass longer than we have in the past. This reduces our diesel use, reduces soil compaction and provides increased habitat and forage for pollinators and insects
- We use only organic fertiliser (chicken manure) to replenish soil nutrients and build soil organic matter
- We have invested significantly in under-vine weeding machinery and techniques which has drastically reduced our herbicide use
- We have invested in weather stations throughout our vineyards to understand weather patterns in greater detail and only apply protective sprays when required

PACKAGING & PRODUCTION

- Glass is made of 76% recycled material and is 100% recyclable
- Sparkling wine cartons inserts are made from 100% recycled material and are 100% recyclable
- Wine boxes are made of 85% recycled content and are 100% recyclable
- Recycled hessian coffee bean sacks used to store vine materials ready for re-use in future plantings
- We are committed to reducing the weight of our packaging. 91% of our still wines use lightweight bottles (<400g). Our traditional method and carbonated wines require strength to withstand the pressure, but we use the lightest of the advisable bottles available

ENERGY SOURCES

- Our 'waste' grape skins are sent for anaerobic digestion to produce renewable energy. This produces enough electricity to supply 48 average homes for a year
- We have moved to using new technologies in our winery to stabilise our wines. This reduces the need for refrigeration with its associated electricity and carbon emissions

Founder member of 'Sustainable Wine GB' Group

SUSTAINABLE WINES OF GREAT BRITAIN

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2023

Introduction

The Board of Chapel Down is committed to maintaining high standards of corporate governance. It complies with the Quoted Companies Alliance Corporate Governance Code provisions for small and mid-size quoted companies ("QCA Code") to the extent that the Board considers appropriate having regard to the Company's size, board structure, stage of development and resources.

We are building a strong governance framework whilst also ensuring that we take a proportionate approach and that our processes remain fit for purpose and embedded within the culture of our organisation. We will continue to develop our standards and will make improvements in line with building a more successful and sustainable company.

The Board consists of eight Directors being:

- Non-Executive Chairman – Martin Glenn
- Chief Executive Officer – Andrew Carter
- Chief Financial Officer and Company Secretary – Robert Smith
- Non-Executive Director – James Brooke
- Non-Executive Director – Stewart Gilliland
- Non-Executive Director – Nigel Wray
- Non-Executive Director – Samantha Wren
- Non-Executive Director – Michael Spencer

The Board is responsible for formulating, reviewing and approving the Company's strategy, financial activities and operating performance. Day-to-day management is devolved to the executive directors, who are charged with consulting the Board on all significant financial and operational matters. The Board retains ultimate accountability for governance and is responsible for monitoring the activities of the executive team.

In line with best practice, the roles of Chairman and Chief Executive Officer (CEO) are split. The Chairman has the responsibility of ensuring that the Board discharges its responsibilities. The Chairman is responsible for the leadership and effective working of the Board, for setting the Board agenda, and ensuring that Directors receive accurate, timely and clear information.

The CEO has the overall responsibility for creating, planning, implementing, and integrating the Company's strategic direction. This includes responsibility for all components and departments of the business. The CEO ensures that the organisation's leadership maintains a constant awareness of both the external and internal competitive landscape, opportunities for expansion, customer base, markets, new industry developments and standards.

Principle 1: Establish a strategy and business model which promote the long-term value for shareholders

The Company mission is "To change the way the world thinks about English wine forever." We will achieve this by producing and sourcing excellent fruit, for still and sparkling wines, to create a World Class brand with high levels of awareness and desire. A strong brand will enable us to become more widely recognised as the UK's leading English wine producer, and widen availability across all channels of trade in the UK. The board is focused on delivering its long-term strategic plan that will drive the operational efficiency and scale benefits of the above. The Company publishes a Strategic review in its Annual Report which details the Company's business model and explains the risks and how those risks are mitigated.

Principle 2: Seek to understand and meet shareholder needs and expectations

The incentivisation of executive directors is primarily through share incentive plans which are long term by nature to ensure executives are allied to shareholder needs and expectations. In addition, all shareholders are encouraged to attend the AGM and General Meetings where possible. The Company seeks input as appropriate from, our nominated adviser and broker, our auditors plus legal and other advisers.

The Company keeps shareholders informed through shareholder mailings and communication. Many are also customers and that enables a constructive and helpful dialogue. Larger Institutional shareholders have the opportunity to meet directly with management. The Company also ensures that Investor information is detailed on the Chapel Down website (https://chapeldown.com/pages/investors).

Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Board recognises the importance of its relationship with its employees, customers, suppliers, shareholders, the community and environment.

The Board has identified that its key stakeholders are:

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

Chapel Down's core values are:

- We are challengers
- We deliver together
- We take personal ownership
- We act profitably and sustainably

These values are embedded in our continuous personal development program and ensure that we act consistently in the interests of our stakeholders. Throughout the year the Board consider the wider impact of strategic and operational decisions on the Company's stakeholders.

Employees

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

Shareholders

The support and engagement of our shareholders is vital to our business. In addition to being shareholders they are invariably customers too. Their true engagement is therefore all the more vital. In all of its decision making, the Board ensures that it acts fairly with regard to members of the Company. We have productive ongoing dialogue with our investors through regular emails and information about shareholder meetings and the Company's financial performance. We have regular meetings with institutional investors to understand their views and address any concerns.

Customers

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

Suppliers

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

Community and Environment

We are a small business committed to making a positive contribution to the communities in which we operate. Where possible we always try to source locally, whether that is for our shop, winery, or restaurant. We also support the Arts through our sponsorship activities nationally, and also support local charities and events. We have a published sustainability position and we ensure we operate as environmentally soundly as we can. We review this position quarterly. We also hold regular sessions with our customer advisory panel that have diversity and sustainability experts on it to help guide the management on key issues that could impact the brand and our customers.

Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board regularly reviews the risks to which the Company is exposed and ensures through its meetings and regular reporting that these are minimised as far as possible. The Maintenance of strong financial controls overseen by its CFO.

The Audit Committee's role is to assist the Board in fulfilling its oversight responsibilities by reviewing and monitoring:

- The integrity of the financial and narrative statements and other financial information provided to shareholders.
- The Company's system of internal controls and risk management.
- The internal and external audit process and auditors.
- The processes for compliance with laws, regulations and ethical codes of practice.
- The Company's attitude to and appetite for risk and its future risk strategy.
- How risk is reported internally and externally.
- The principal risks and uncertainties are detailed in the Group Strategic Report in the Annual Report.

Principle 5: Maintain the board as a well-functioning, balanced team led by the chair

The Board's role is to agree the Company's long-term direction and strategy and monitor achievement of key milestones against its business objectives. The Board meets formally at least six times a year for these purposes and holds additional meetings when necessary to transact other business. The Board receives reports for consideration on all significant strategic, operational and financial matters.

The Board is comprised of a Chief Executive Officer (CEO), Chief Finance Officer and Company secretary (CFO) and six Non-Executive Directors (NEDs) of which one is Non- Executive Chairman. Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director. The Board meets regularly throughout the year as deemed appropriate formally and informally, in person, through video conferencing and by telephone.

The Company constantly keeps under review the constitution of the Board and may seek to add more members as required as the Company grows and develops.

Martin Glenn, Jamie Brooke and Stewart Gilliland are considered to be 'independent' in accordance with the QCA Code.

The Board has implemented an effective committee structure to assist in the discharge of its responsibilities. All committees of the Board have written terms of reference dealing with their authority and duties. Membership of the Audit and Remuneration Committees is comprised of Non-Executive Directors.

Principle 6: Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

The Board of Chapel Down has a wide skill set which has developed and evolved over the last twenty years as the Company has grown. The profile of the Company and brand demand that we ensure that the Board has considerable high level functional experience covering Corporate Finance and Governance, Performance Management, Brand Marketing, Commercial Management, Negotiation, Legal skills and UK listed companies NED skills in addition to entrepreneurial nous. It is a real strength of the Company and the Chairman is charged with reviewing its composition over time through annual reviews.

Biographies of the directors can be found on the Company's website at the following link: https://www.chapeldown.com/pages/our-directors and in the Board of Directors section below.

The Board currently comprises a male Non-Executive Chairman, two male Executive Directors, four male Non–Executive Directors and one female Non–Executive Director. Chapel Down has a diverse Board and promotes inclusivity and diversity across the business.

The Executive Directors' contracts are available for inspection, as are the Letters of Appointment for the Non-Executive Directors, at the registered office and at the time of the AGM. The Directors retire by rotation at regular intervals in accordance with the Company's Articles of Association.

Principle 7: Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

Board meetings are held at least four times a year and are an effective tool in measuring the performance of the business against its KPI's and long-term strategy. Reviews of Executive Directors are held annually and reviewed regularly. Board directors are re-elected every three years.

The Remuneration Committee advises the Board on succession planning issues.

Principle 8: Promote a corporate culture that is based on ethical values and behaviours

The Board aims to lead by example when looking after the best interests of its employees, customers, suppliers, shareholders, the community and environment.

Chapel Down has an employee handbook which covers the Company's Vision and Values, standards of conduct, diversity policy, anti-bribery, and anti-bullying and harassment policies.

The values of the Company are well understood by all employees and are re-enforced wherever possible and driven in all development plans.

In addition, there is a Share Dealing Policy and Code in place as well as detailed GDPR guidelines.

The Company is an original supporter of the development of Sustainable Wines of Great Britain and the CEO sits on the WineGB board. We take our role as market leaders seriously.

Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the board

The Board is responsible for setting the vision and strategy for the Company to deliver value to the Company's shareholders by effectively putting in place its business model.

Nominations for Board members are decided by the Board as a whole.

The roles and responsibility of the Chief Executive Officer, Non-Executive Chairman and other Directors are laid out below:

- The Chief Executive Officer's primary responsibilities are to: implement the Company's strategy in consultation with the Board; take responsibility for the Company's projects; run the Company on a day-by-day basis; implement the decisions of the Board; monitor, review and manage key risks; act as the Company's primary spokesman; communicate with external audiences such as investors, analysts and media; and be responsible for the administration of all aspects of the Company.
- The Non-Executive Chairman's primary responsibilities are to: lead the Board and to ensure the effective working of the Board; in consultation with the Board, ensure good corporate governance and set clear expectations with regards to the Company culture, values and behaviour; set the Board's agenda and ensure that all Directors are encouraged to participate fully in the decision-making process of the Board and take responsibility for relationships with the Company's professional advisers and major shareholders.
- The other Executive Directors' primary responsibilities are within their job functions remit concomitant with their roles in the Company and the Board. They participate fully in all Board level decisions and regularly report on their field of operation to the Board.
- The Company's NEDs participate in all Board level decisions and play a particular role in the determination and articulation of strategy. The Company's NEDs provide oversight and scrutiny of the performance of the Executive Directors, whilst both constructively challenging and inspiring them, thereby ensuring the business develops, communicate and execute the agreed strategy and operate within the risk management framework.
- The Company Secretary is responsible for ensuring that Board procedures are followed, and applicable rules and regulations are complied with.

The Board is supported by the audit and remuneration committees as described below.

The Audit Committee

The Audit Committee comprises three Non-Executive directors. The CFO and external audit lead partner shall be invited to attend and address meetings of the Committee on a regular basis. The Audit Committee meets at least three times per annum.

The responsibilities of the Audit Committee include:

- Monitoring and discussing with management the integrity of the financial statements of the Group, including the annual and half-yearly report and any other formal statements relating to its financial performance.
- Reviewing and reporting to the Board on significant financial reporting issues and judgements which the financial statements, interim reports, preliminary announcements and related formal statements contain having regard to matters communicated to it by the external auditor.
- Reviewing the Company's internal financial controls and internal control systems and, at least annually, carrying out a review of its effectiveness.
- Considering at least annually the need for an internal audit function, making any recommendation to the Board.
- Considering and making recommendations to the Board, to be put to shareholders for approval at the Company's AGM, on the appointment, reappointment or removal of the Company's external auditor as well as negotiating and agreeing their terms of engagement.
- Reviewing and assessing, on an annual basis, the external auditor's independence and objectivity including an assessment of the qualifications, expertise and resources of the external auditor.
- Developing and recommending to the Board, and implementing, the Company's formal policy on the external auditor's provision of non-audit services.
- Annually reviewing the Company's procedures for detecting fraud.
- Review the Company's systems and controls for ethical behaviour and the prevention of bribery and modern slavery and receiving reports on non-compliance.
- Reviewing the effectiveness, adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence and anonymously, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action.

The Remuneration Committee

The Remuneration Committee is comprised of three Non-Executive Directors including the Chairman.

The responsibilities of the Remuneration Committee include:

- Determining the framework or broad policy for the remuneration of the Company's Chairperson and the executive directors, company secretary and senior managers.
- Determining targets for any performance related pay schemes operated by the Company.
- Reviewing the design of any share incentive plans for approval by the Board and shareholders.
- Determining the policy for, and scope of, pension arrangements for each executive director and other senior managers.
- Determining the total individual remuneration package of the Chairperson, each executive director, the company secretary and other senior managers including bonuses, incentive payments and share options or other share awards.
- Ensuring that contractual terms on termination and any payments made are fair to the individual and the Company; that failure is not rewarded and the duty to mitigate loss is fully recognised.
- Overseeing any major changes in employee benefits structures throughout the Company.

- Agreeing the policy for authorising claims for expenses from the directors.
- Exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.
- Obtaining reliable, up-to-date information about remuneration in other companies of comparable scale.
- Reviewing the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.

Principle 10: Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Company holds an annual general meeting at which shareholders are invited to Tenterden and are encouraged to ask questions of management formally and if preferred, informally, as we tour the facilities.

Shareholders are very often customers, and we gather and actively seek feedback directly from our shareholders. In addition to formal occasions and direct shareholder feedback, the CEO and CFO also meet with Institutional shareholders.

In order to ensure shareholders are informed we communicate via a regular email.

Shareholders also have their own dedicated email address on which shareholders can raise queries or concerns. We maintain a 48-hour maximum response to questions.

Chapel Down Group Plc

QCA CODE VERIFIED VERSION ESTABLISHED 2013

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

FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023 which comprise:

- the Group statement of Comprehensive Income for the year ended 31 December 2023;
- the Group and Parent Company Statement of Financial Position as at 31 December 2023;
- the Group and Parent Company Statements of Changes in Equity for the year then ended;
- the Group Cash Flow Statement for the year then ended; and
- the notes to the financial statements, including a summary of material accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (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 2023 and of the Group's profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, 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 related to going concern

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

- We obtained and assessed management's detailed trading budget and cash flow forecast for the period to 31 December 2025, and high level trading budget and cash flow forecast for the period to 31 December 2028. In addition to checking the arithmetical accuracy, we also discussed the key assumptions with management and ensured they are reasonable with our understanding of the business and sector. The trading budget and cash flow forecast show the group as being profitable and having significant headroom on their financing facilities throughout the forecast period.
- We have examined correspondence with lenders to confirm the availability of financing facilities in the short to medium term.
- We read the Board minutes and discussed with management any matters not documented in the minutes.
- We enquired with management whether there are any significant subsequent events that may impact on going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Overview of our audit approach

Materiality

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

Based on our professional judgement, we determined overall materiality for the group financial statements to be £200,000 based on 1% of gross revenue before retrospective discounts (2022 – 1% of total assets £250,000). The parent company materiality was set at £190,000 *(2022 – £100,000)* based on group revenue also and restricted so as not to exceed group materiality.

In setting materiality, we considered the group's business model. Prior to and including 2021, the company had raised in the region of £54 million before expenses in equity funding. This funding was used to invest in the growth of the business. Due to the nature of the business, it takes a long time before investment generates a significant return. This is primarily due to the significant lead time between investing into new land, and producing wine that can be sold. The group now owns, leases and sources from 1,023 acres of vineyards in South East England, of which 750 acres are fully productive, making it the largest wine producer in the UK. Since 2018 gross sales revenue before retrospective discounts has increased by 128%. Based on the above, it is our belief that Chapel Down Group Plc has entered a new phase in its business lifecycle. The group is no longer in its investment phase, but rather in a growth phase. The group has established itself as the largest wine producer in the UK. The profile of the brand has grown considerably in the last 6 years and the group have forged a number of high-profile partnerships. It is management's ambition to double the size of the business in the five years to 2026. Revenue growth is therefore the key metric for the business. Based on this, the most relevant benchmark for materiality was considered to be gross sales revenue before retrospective discounts.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. Based on our professional judgement, we determined performance materiality for the consolidated financial statements to be £140,000 *(2022 – £175,000)* for the group and £133,000 *(2022 – £70,000)* for the parent.

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

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

Overview of the scope of our audit

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

Key audit matters

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

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

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
Conversion to International Financial Reporting Standards. In December 2023 the group was listed on the Alternative Investment Market (AIM). As part of this process the accounts had to be converted from FRS 102 to IFRS. The key adjustments, as detailed in note 2.19, were: At the point of harvest, the harvest of grapes qualifies as biological produce under IAS 41 and are recorded at fair value at that date. The fair value becomes the basis of cost when accounting for inventories under IAS 2. Harvesting of the grape crop is ordinarily performed between late September and mid-October. Costs incurred in growing the grapes, including any applicable harvest costs, are initially allocated into the cost of inventory as part of the total costs to acquire and grow the biological produce. At the point of harvest, a fair value adjustment is made so that the cost per tonne is adjusted to fair value in accordance with IAS 41 and IFRS 13. Any difference between cost and fair value is included within the statement of financial performance. In accordance with IFRS 16, all leases, with the exception of short term and low value asset leases, are recognised on the balance sheet as both a right of use asset and a lease liability. The depreciation of the right of use asset is recognised as an increase to the cost of the bearer plants where it relates to the establishment of the vineyard, as an increase to the costs of the biological produce where it relates to vineyard rentals, as an increase to the cost of inventory where it relates to non-vineyard rentals that are direct costs and as an increase to administrative expenses for all other leases. Finance costs in relation to the unwinding of the lease liability are reflected in the corresponding areas.	Our audit work ensured that the adjustments made for the listing and Historical Financial Information (HFI) document were correctly and consistently applied in the year-end financial statements. We completed a full disclosure checklist to ensure that all material disclosures have been correctly included within the financial statements. These were then subject to a technical review by our Accounting and Audit Technical team. The audit of the adjustments in respect of IAS 41 are summarised below under the valuation of inventory. We examined the adjustments to bearer plants in respect of IFRS 16, being the reversal of capitalised rent and the capitalisation of right of use asset depreciation and lease liability finance charges. For a sample of leases, we recalculated the lease liability and right of use (ROU) asset as at 31 December 2023 and on transition to IFRS. The key inputs were agreed to the lease agreements. The rate implicit in each lease was not determinable therefore the Company's incremental borrowing rate has been used in determining the lease liabilities. We have assessed the rate used and compliance with IFRS 16. We obtained managements workings for the various lease disclosures in the financial statements. The calculations were reperformed to confirm their accuracy.

Valuation of inventory	How the scope of our audit addressed the key audit matter
The valuation of inventory was considered to be a significant risk due to the complexity of the calculations, which increases the inherent risk of fraudulent misstatement. There is also a significant level of judgement involved in determining the fair value of the biological produce, which is absorbed into the year-end inventory valuation. This again increases the inherent risk of fraudulent misstatement. Further details can be found in note 16	*Overhead absorption calculations were scrutinised in detail to confirm that the costs absorbed into stock related to bringing the stock to its present location and condition.* *A sample of capitalised overheads were agreed to supporting documentation to confirm their accuracy;* *We reviewed to consistency of the overhead absorption calculations to the prior year to ensure that stock is being valued on a consistent basis;* *Managements standard cost calculations were recalculated to ensure their arithmetical accuracy. These standard cost calculations were then used to recalculate the year end value of stock using the final stock sheets.* *We examined the methodology used for valuing the biological produce and assessed its compliance with IAS 41. We challenged management on the assumptions used and also considered available market data to assess the reasonableness of the valuation.* *For a sample of finished goods, we traced the selling price to post year end invoices to ensure that stock is being held at the lower of cost and net realisable value;* *Year-end inventory counts were attended to verify the existence of stock and third party confirmations were obtained where inventory was held at third party locations.*

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

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception
In light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of the directors for the financial statements
As explained more fully in the directors' responsibilities statement set out on page 24 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- enquiry of management about the Group's policies, procedures and related controls regarding compliance with laws and regulations and if there are any known instances of non-compliance;
- examining supporting documents for all material balances, transactions and disclosures;
- review of the board meeting minutes;
- enquiry of management and review and inspection of relevant correspondence;
- evaluation of the selection and application of accounting policies related to subjective measurements and complex transactions;
- analytical procedures to identify any unusual or unexpected relationships;

Auditor's responsibilities for the audit of the financial statements (continued)

- detailed testing of a sample of sales made around the balance sheet date and agreeing these through to invoices, goods despatch notes and bank receipts.
- detailed testing of a sample of inventory balance and agreeing these to post year end sales invoices to ensure inventory is held at the lower of cost and net realisable value;
- scrutiny of the fair value methodology of biological produce to assess its compliance with applicable financial reporting standards;
- review of available market data points to assess the reasonableness of the fair value biological produce;
- testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; and
- review of accounting estimates for biases.

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

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

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

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.

Darren Rigden (Senior Statutory Auditor)
for and on behalf of
Crowe U.K. LLP

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

15 April 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 £	2022 £
Gross sales revenue	*4*	**20,135,454**	17,745,572
Duty		**(2,214,575)**	(2,110,323)
Net sales revenue – gross of retros		**17,920,879**	15,635,249
Retros		**(719,833)**	(636,147)
Net sales revenue – net of retros		**17,201,046**	14,999,102
Cost of sales		**(8,289,842)**	(7,290,304)
Gross profit		**8,911,204**	7,708,798
Administrative expenses		**(7,394,154)**	(6,088,595)
Operating profit before exceptional costs and fair value movement in biological produce	*6*	**1,517,050**	1,620,203
Fair value gain/(loss) on measurement of biological produce		**2,171,386**	(156,373)
Operating profit before exceptional costs		**3,688,436**	1,463,830
Exceptional costs	*5*	**(1,235,478)**	(109,517)
Operating profit		**2,452,958**	1,354,313
Share of after tax losses in associates		**–**	(15,207)
Finance income		**47,222**	16,147
Finance costs	*10*	**(193,057)**	(119,567)
Profit before tax		**2,307,123**	1,235,686
Tax charge	*11*	**(779,773)**	(451,312)
Profit for the year		**1,527,350**	784,374
Other comprehensive income for the year			
Tax credit	*11*	**324,626**	–
Total comprehensive income for the year		**1,851,976**	784,374
Total comprehensive income attributable to the equity holders of the company		**1,851,976**	784,374
Basic profit – pence per share	*12*	**0.95**	0.49
Diluted profit – pence per share	*12*	**0.94**	0.49

The Notes on pages 55 to 81 form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Note	2023 £	2022 £
Non-current assets			
Intangible assets	*13*	**41,803**	79,318
Property, plant and equipment	*14*	**23,898,358**	22,240,670
		23,940,161	22,319,988
Current assets			
Biological produce	*16*	**–**	–
Inventories	*17*	**22,581,264**	15,645,107
Trade and other receivables	*18*	**3,593,348**	2,695,075
Cash and cash equivalents	*19*	**1,004,305**	5,800,771
		27,178,917	24,140,953
Total assets		**51,119,078**	46,460,941
Equity and liabilities			
Equity			
Called up share capital	*20*	**8,566,939**	7,964,506
Share premium	*22*	**31,541,143**	32,143,576
Capital redemption reserve	*22*	**400**	400
Revaluation reserve	*22*	**936,703**	970,457
Retained earnings	*22*	**(6,719,248)**	(8,824,022)
Total equity		**34,325,937**	32,254,917
Non-current liabilities			
Borrowings	*23*	**–**	2,071,159
Trade and other payables	*24*	**22,630**	17,969
Lease liabilities	*25*	**7,457,140**	6,582,798
Deferred tax liabilities	*26*	**893,397**	438,249
		8,373,167	9,110,175
Current liabilities			
Borrowings	*23*	**2,240,748**	467,385
Trade and other payables	*24*	**5,748,571**	4,287,569
Lease liabilities	*25*	**430,655**	340,895
Total current liabilities		**8,419,974**	5,095,849
Total liabilities		**16,793,141**	14,206,024
Total equity and liabilities		**51,119,078**	46,460,941

The Notes on pages 55 to 81 form an integral part of these Consolidated Financial Statements.

The financial statements were approved and authorised for issue by the Board on 15 April 2024 and were signed on its behalf by:

A.J. Carter **R.A.C. Smith** Company number: 04362181

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

	Called up Share capital £	Share premium £	Capital redemption reserve £	Revaluation reserve £	Retained earnings £	Total equity £
At 1 January 2023	**7,964,506**	**32,143,576**	**400**	**970,457**	**(8,824,022)**	**32,254,917**
Profit for the year	–	–	–	–	1,527,350	1,527,350
Other comprehensive income for the year					324,626	324,626
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**1,851,976**	**1,851,976**
Transactions with owners:						
Share based payments expense	–	–	–	–	219,044	219,044
Bonus issue	602,433	(602,433)	–	–	–	–
Transfer of excess depreciation charge to revaluation reserve	–	–	–	(33,754)	33,754	–
Total transactions with owners	**602,433**	**(602,433)**	**–**	**(33,754)**	**252,798**	**219,044**
At 31 December 2023	**8,566,939**	**31,541,143**	**400**	**936,703**	**(6,719,248)**	**34,325,937**

The Notes on pages 55 to 81 form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up Share capital £	Share premium £	Capital redemption reserve £	Revaluation reserve £	Retained earnings £	Total equity £
At 1 January 2022	**7,877,902**	**32,010,161**	**400**	**992,702**	**(9,688,431)**	**31,192,734**
Profit for the year	–	–	–	–	784,374	784,374
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**784,374**	**784,374**
Transactions with owners:						
Share based payments expense	–	–	–	–	57,790	57,790
Shares issued in the year	86,604	133,415	–	–	–	220,019
Transfer of excess depreciation charge to revaluation reserve	–	–	–	(22,245)	22,245	–
Total transactions with owners	**86,604**	**133,415**	**–**	**(22,245)**	**80,035**	**277,809**
At 31 December 2022	**7,964,506**	**32,143,576**	**400**	**970,457**	**(8,824,022)**	**32,254,917**

The Notes on pages 55 to 81 form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 £	2022 £
Cash flows from operating activities		
Profit before tax	**2,307,123**	1,235,686
Adjustments to reconcile profit before tax to net cash flows:		
Amortisation of intangible assets	**37,516**	37,516
Depreciation of property, plant and equipment	**306,163**	211,728
Profit on disposal of property, plant and equipment	**(13,738)**	–
Finance cost included within cost of sales	**1,139**	2,029
Finance income	**(47,222)**	(16,147)
Finance cost	**193,057**	119,567
Fair value movement in biological produce	**(2,171,386)**	156,373
Equity-settled share-based payments	**219,044**	57,790
Increase in trade and other receivables	**(898,275)**	(1,437,715)
Increase in inventories	**(3,310,142)**	(1,422,697)
Increase in trade and other payables	**1,465,663**	455,688
Tax received	**–**	51,195
Net cash flows used in operating activities	**(1,911,058)**	(548,987)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(1,816,517)**	(2,121,743)
Proceeds from sale of property, plant and equipment	**9,671**	–
Interest received	**47,222**	16,147
Net cash flows used in investing activities	**(1,759,624)**	(2,105,596)
Cash flows from financing activities		
Proceeds from issue of shares	**–**	220,019
Repayment of borrowings	**(300,000)**	(300,000)
Lease payments	**(645,284)**	(566,611)
Interest paid	**(180,500)**	(113,184)
Net cash flows generated from financing activities	**(1,125,784)**	(759,776)
Net decrease in cash	**(4,796,466)**	(3,414,359)
Cash and cash equivalents at beginning of year	**5,800,771**	9,215,130
Cash at the end of year	**1,004,305**	5,800,771

The Notes on pages 55 to 81 form an integral part of these Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

1. General information

Chapel Down Group Plc is a public company limited by shares, incorporated and domiciled in England and Wales under the Companies Act 2006. The registered office address and principal place of business is located at Chapel Down Winery, Small Hythe Road, Tenterden, Kent, TN30 7NG. The Company was incorporated on 28 January 2002.

The Group's principal activity is the production and sale of alcoholic beverages.

2. Material accounting policy information

2.1 Basis of preparation of financial statements

These financial statements have been prepared on the going concern basis in accordance with International Financial Reporting Standards as adopted by the UK and the requirements of the Companies Act 2006. This is the first time the Group has prepared financial statements under IFRS. The effect of transition to IFRS is disclosed in note 2.19.

The financial statements have been prepared on the historical cost basis except for certain items which are at fair value, details of which are disclosed in either the relevant accounting policy or in the notes to the financial statements.

2.2 Going concern

Company law requires the directors to consider the appropriateness of the going concern basis when preparing the financial statements. Having considered the period to December 2025, the directors confirm that they consider that the going concern basis remains appropriate.

In arriving at this conclusion, the directors have considered both financial and operational aspects surrounding the Group's trading outlook, including:

- Reviewing the Group's detailed trading budget and cash flow projections. Over the past two years, the Group has invested substantial amounts of cash into new vineyard plantings, plant and machinery, and the Group's IT platforms. This investment spend is consistent with the Group's medium-term strategic growth plans and will allow it to continue to grow through the period to 2026 and beyond. The Group has been able to maintain a healthy cash position throughout 2023, and the £12m revolving credit facility provided by PNC Business Credit was fully undrawn as at the balance sheet date. In 2024, the Group plans on refinancing its term loan, which is due for repayment in 2024, alongside continued capital investment to facilitate its ongoing growth plans. The directors are comfortable that the Group has sufficient access to cash resources to cover both working capital and growth spend requirements, as well as significant headroom on its financing facilities throughout the forecast period.
- Considering the Group's business activities, together with the factors likely to affect its future development and performance, its exposure to risk and its management of these risks. As with all wine producers, the Group's future performance is invariably linked to supply chain aspects including the quality and size of harvest yields, its access to all resources as necessary to carry out production-related activities, and cost inflation of these inputs. The directors believe the group has appropriate processes and procedures in place to successfully manage its business risks and trade through any reasonable downside scenarios.
- Wider considerations surrounding the Group's short-medium term growth plans. The Group's ambition is to double its revenue in the period 2021-2026, with a greater growth in adjusted EBITDA due to continued premiumisation of the brand and operational leverage. Based on 2023 performance, the Group remains firmly on track to deliver against this goal, and the Group has already made the necessary investments in land and in the capacity of the Tenterden winery for this growth to continue. The English wine region and consumer market continues to grow strongly, and with the Group's position as the market leaders, the directors believe the outlook remains positive and sufficient to facilitate the realisation of the Group's growth plans.

Based on the analysis performed, the directors believe that the Group has sufficient resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

2. Material accounting policy information (continued)

2.3 Basis of consolidation

The consolidated financial statements incorporates the financial information of the Company and entity controlled by the Company (its subsidiary), together, the Group. Control is achieved when a company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Where necessary, adjustments are made to the financial statements of subsidiary to bring the accounting policies used into line with those used by other members of the Group. All significant inter-company transactions and balances between Group entities are eliminated on consolidation.

Subsidiary companies

The parent company's subsidiary is as follows:

Name of company	Country of incorporation	Nature of business	Interest	Proportion of voting rights and shares held
English Wines Plc	England and Wales	Production and sale of alcoholic beverages	100%	100%

The registered office address and principal place of business of English Wines Plc is Chapel Down Winery, Smallhythe Road, Tenterden, Kent, TN30 7NG.

The Company also has an associate, Aker Wines and Spirits Limited, which is accounted for under the equity method. Its results do not form part of these consolidated financial statements.

2.4 Revenue

Revenue is recognised when (or as) a performance obligation is satisfied at the amount of the transaction price that is allocated to that performance obligation. At contract inception, the Group assesses the goods or services promised in the contract with the customer and identifies as a performance obligation each promise to transfer to the customer either a good or service that is distinct, or a series of distinct goods and services that are substantially the same and that have the same pattern of transfer to the customer.

The Group's primary revenue stream is the sale of wine as trade sales and direct sales. The Group also receives revenue from guided tours, leasing of vines and gift vouchers.

Trade sales

The performance obligation for trade sales is the delivery of the wine to the customer. Revenue is therefore recognised at the point in time when control of the goods transfers to the customer, which is deemed to be the point of despatch.

Trade sales are often made with volume discounts and other rebates and to customers for promotional support. For volume discounts and other rebates not invoiced at the reporting date these are estimated based on agreements with customers and estimated depletions during the period.

Guided tours

The performance obligation for guided tours is the provision of the tour to the customer on a specified date. Revenue is therefore recognised on the date that the tour is provided to the customer.

Direct sales

The performance obligation for direct sales is the delivery of the wine to the customer. Revenue is therefore recognised at the point in time when control of the goods has transferred to the customer.

2. Material accounting policy information (continued)

2.5 Foreign currency translation

Functional and presentational currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in pounds sterling, which is Chapel Down Group Plc's functional and presentation currency.

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 year 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 year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Foreign exchange gains and losses are presented in the Statement of Comprehensive Income under the heading to which they relate.

2.6 Taxation

Taxation expense for the year comprises current and deferred tax recognised in the reporting year. Tax is recognised in the Statement of Comprehensive Income.

Current tax

Current tax is the amount of tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences that exist only where it is probable that taxable profits will be generated against which the carrying value of the deferred tax asset can be recovered.

Deferred tax liabilities are recognised for all taxable temporary differences except in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint operations where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

2.7 Share-based payments

The Group measures the fair value of equity-settled transactions with employees and Directors at the grant date of the equity instruments. The fair value is calculated using an appropriate valuation model and requires assumptions regarding dividend yields, risk-free interest rates, share price volatility and expected life of an employee or Director share option. The arising expense is charged to the Statement of Comprehensive Income on a straight-line basis over the expected vesting period.

2. Material accounting policy information (continued)

2.8 Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price and any costs attributable to bringing the asset into the location and condition necessary for it to be capable of operating in the manner intended by management. Expenditures for routine maintenance and repairs are expensed as incurred, while additions and improvements are capitalised.

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

A right-of-use asset is recognised at the commencement date of the lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of costs expected to be incurred for restoring the site or asset.

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

- 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
- Bearer plants – approach explained below

Land included within Freehold land and buildings is not depreciated.

Assets under construction are not depreciated.

An item of property, plant and equipment is derecognised upon disposal or when no further economic benefits are expected to arise from the use of that asset. Any gain or loss arising on de-recognition of the asset is included in the income statement when the asset is derecognised.

The group owns bearer plants in the form of grape vines which are cultivated on land owned and/or leased by the group. The costs of bringing the vines to maturity for the first 3 years of the vines' life are capitalised. These costs include attributable overheads.

The bearer plants have an expected useful life of 21 years and are depreciated over 21 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 bearer plant to maturity will yield a restricted harvest before the asset will be matured in year 5. In year 3 the asset is depreciated by a third of the annual depreciation rate. In year 4 the asset is depreciated by two thirds and from year 5 the asset is depreciated for the remaining 19 years.

2.9 Leasing

The Group applies a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. At commencement of a lease, the Group as lessee recognises a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The amount of the lease liability recognised is on a discounted basis. The discount rates used are incremental borrowing rates as appropriate for each lease based on factors such as the lease term and payment terms. Where the rate implicit in the lease cannot readily be determined the Group used the lessee's incremental borrowing rate. The Group does not have any leases where the Group is a lessor.

2. Material accounting policy information (continued)

2.9 Leasing (continued)

At commencement of the lease, the Group estimates any variable lease payments that are based on published indices. At the date revised lease payments are determined, the Group remeasures the lease liability at that date, with the corresponding entry being made to the cost of the right of use asset related to the lease.

The Group takes advantage of the practical expedient which allows an exemption from capitalisation for leases with terms of 12 months or less and low value leases.

Right of use assets are reviewed regularly to ensure that the useful economic life of the asset is still appropriate based on the usage of the asset. Where the asset has reduced in value, the Group considers the situation on an asset-by-asset basis and treats the reduction as an impairment under IAS 36 'Impairment of Assets'.

2.10 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held at call with banks.

2.11 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instruments are classified into one of the categories discussed below in accordance with IFRS 9, with reference to the business model for that instrument and the contractual cash flow characteristics.

Financial assets and liabilities are offset and the net amount reported in the financial statements if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

The accounting policy for each category is as follows:

Financial assets

Financial assets comprise cash and cash equivalents and receivables.

Receivables primarily consist of trade and other receivables. These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are initially recognised at transaction price plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, adjusted for change in expected credit losses.

Impairment of financial assets

The IFRS 9 impairment model requires the recognition of 'expected credit losses'. Therefore, it is not necessary for a credit event to have occurred before credit losses are recognised. The impairment model applies to the Group's financial assets.

For trade receivables the Group has applied the simplified approach permitted by IFRS 9 in calculating expected credit losses. This approach requires expected lifetime losses to be recognised from initial recognition of the receivables.

Financial liabilities

Financial liabilities include trade and other payables, borrowings and lease liabilities.

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Lease liabilities

Lease liabilities are recognised at the present value of future lease payments and subsequently carried at amortised cost using the effective interest method.

2. Material accounting policy information (continued)

2.11 Financial instruments (continued)

Financial liabilities (continued)

Borrowings

Borrowings are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange is treated as the de-recognition of the original liability and the recognition of a new liability. When the modification is not substantial the difference between the carrying amount of the liability before the modification and the present value of the cash flows after modification is recognised in profit or loss.

Classification of financial instruments issued by the Group

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

2.12 Inventories

Inventories are valued at the lower of cost or deemed cost and net realisable value. Cost is calculated on an average cost basis. Inventory costs include direct costs of the winery plus attributable overheads that relate to bringing inventories to their present location and condition. The deemed cost for the Group's agricultural produce (grapes) is fair value at the time of harvest less costs to sell, in accordance with IAS 41 'Agriculture'.

Inventories are assessed for impairment at the end of each reporting period. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.13 Intangible assets

Intangible assets are held at cost less accumulated amortisation and accumulated impairment losses. Both intangible assets are considered to have a finite useful life. The expected useful life of the customer relationship is estimated to be three years from acquisition. The expected useful life of the website is estimated to be five years from development.

The assets are reviewed for impairment under IAS 36 at each period end.

2.14 Biological assets

Grapes growing on the vine are accounted for as biological assets until the point of harvest. Biological assets are measured on initial recognition and at the end of each reporting period at fair value less costs to sell. Changes in fair value of growing grapes are recognised in profit or loss. At the time of harvest, grapes are measured at fair value less costs to sell, which becomes the deemed cost, and transferred to inventories.

Methods used to measure fair value less costs to sell are provided in Note 3.3. Key assumptions used to determine the fair value of biological assets and sensitivity analysis are provided in Note 16.

2.15 Related party transactions

The Group discloses transactions with related parties which are not wholly owned within the same Group. It does not disclose transactions with members of the same Group that are wholly owned. Transactions of a similar nature are aggregated unless, in the opinion of the Directors separate disclosure is necessary to understand the effect of the transactions on the financial statements.

2. Material accounting policy information (continued)

2.16 New and amended standards adopted by the Group

The Group has applied the following amendments for the first time for the annual reporting period commencing 1 January 2023:

- *Presentation of Financial Statements – Amendments to IAS 1*
- *Making Materiality Judgements – Disclosure of Accounting Policies – Amendments to IFRS Practice statement 2*
- *Income Tax – Amendments to IAS 12*
- *Accounting Policies, Changes in Accounting Estimates and Errors – Amendments to IAS 8.*

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2.17 New standards and interpretations not yet adopted

At the date of authorisation of these financial statements, the group has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective:

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28*
- *Classification of Liabilities as Current or Non-current – Amendments to IAS 1*
- *Non-current Liabilities with Covenants – Amendments to IAS 1*
- *Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7*

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the group in future periods.

2.18 Segment information

The chief operation decision-maker ("CODM") is considered to be the Board of Directors. The CODM allocates resources and assesses the performance of the business and other activities at the operating segment level.

The CODM has determined that the Group has one operating segment, the production and sale of alcoholic beverages.

2.19 Adoption of IFRS

This is the first year the Group has prepared its financial information in accordance with IFRS as adopted by the UK Endorsement Board (UKEB). The date of transition to IFRS was 1 January 2022 and the adjustments arising as a result of this transition are set out below.

The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") differs in certain respects from IFRS hence, when preparing financial information, management has amended certain accounting and measurement bases to comply with IFRS.

IFRS 1: 'First-time adoption of International Financial Reporting Standards' ("IFRS 1") permits the Group to take advantage of certain exemptions from applying the requirements on a fully retrospective basis at the date of transition in certain instances. The Group has chosen to apply the following exemptions which are permitted under IFRS 1:

- The Group applies the short-term lease recognition exemption to its short term leases of machinery and equipment (i.e., those lease that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to lease of office equipment that are considered to be low value. Lease payments on short term leases and leases of low value assets are recognised as an expense on a straight-line basis over the lease term.

2. Material accounting policy information (continued)

2.19 Adoption of IFRS (continued)

The adjustments to the Statement of Comprehensive Income on transition are as follows:

	31 Dec 2022 £
Profit (FRS 102)	1,053,031
Revenue	
Reclassification of variable consideration	(636,147)
Cost of sales	
Lease adjustments	645
Adjustment to standard cost	(190,847)
Administrative expenses	
Lease adjustments	315
Reclassification of variable consideration	636,147
Movement in fair value	
Biological produce	(156,373)
Finance costs	
Lease adjustments	(526)
Income tax	
Adjustment to tax charge	78,129
Profit (IFRS)	**784,374**

The adjustments to the Statement of Financial Position at 31 December 2022 are as follows:

	FRS 102 £	Adj £	IFRS £
Assets			
Non-current assets			
Intangibles	79,318	–	79,318
Property, plant and equipment	15,849,620	6,391,050	22,240,670
	15,928,938	6,391,050	22,319,988
Current assets			
Biological produce	–	–	–
Inventories	15,394,489	250,618	15,645,107
Trade and other receivables	2,695,075	–	2,695,075
Cash and cash equivalents	5,800,771	–	5,800,771
	23,890,335	250,618	24,140,953
Total assets	**39,819,273**	**6,641,668**	**46,460,941**

2. Material accounting policy information (continued)

2.19 Adoption of IFRS (continued)

	FRS 102 £	Adj £	IFRS £
Equity and Liabilities			
Equity			
Called up share capital	7,964,506	–	7,964,506
Share premium	32,143,576	–	32,143,576
Capital redemption reserve	400	–	400
Revaluation reserve	970,457	–	970,457
Retained earnings	(8,631,809)	(192,213)	(8,824,022)
Total equity	**32,447,130**	**(192,213)**	**32,254,917**
Non-current liabilities			
Borrowings	2,071,159	–	2,071,159
Trade and other payables	17,969	–	17,969
Lease liability	–	6,582,798	6,582,798
Deferred tax liability	528,061	(89,812)	438,249
	2,617,189	6,492,986	9,110,175
Current liabilities			
Borrowings	467,385	–	467,385
Trade and other payables	4,287,569	–	4,287,569
Lease liabilities	–	340,895	340,895
Total current liabilities	4,754,954	340,895	5,095,849
Total liabilities	**7,372,143**	**6,833,881**	**14,206,024**
Total equity and liabilities	**39,819,273**	**6,641,668**	**46,460,941**

The adjustments to the Statement of Financial Position at 31 December 2021 are as follows:

	FRS 102 £	Adj £	IFRS £
Assets			
Non-current assets			
Intangibles	116,834	–	116,834
Property, plant and equipment	14,577,720	6,829,755	21,407,475
	14,694,554	6,829,755	21,524,309
Current assets			
Biological produce	–	–	–
Inventories	12,579,206	459,997	13,039,203
Trade and other receivables	1,307,922	13,063	1,320,985
Cash and cash equivalents	9,215,130	–	9,215,130
	23,102,258	473,060	23,575,318
Total assets	**37,796,812**	**7,302,815**	**45,099,627**

2. Material accounting policy information (continued)

2.19 Adoption of IFRS (continued)

	FRS 102 £	Adj £	IFRS £
Equity and Liabilities			
Equity			
Called up share capital	7,877,902	–	7,877,902
Share premium	32,010,161	–	32,010,161
Capital redemption reserve	400	–	400
Revaluation reserve	992,702	–	992,702
Retained earnings	(9,764,877)	76,446	(9,688,431)
Total equity	**31,116,288**	**76,446**	**31,192,734**
Non-current liabilities			
Borrowings	2,452,311	–	2,452,311
Trade and other payables	29,359	–	29,359
Lease liability	–	6,879,384	6,879,384
Deferred tax liability	(1,380)	1,380	–
	2,480,290	6,880,764	9,361,054
Current liabilities			
Borrowings	380,377	–	380,377
Trade and other payables	3,819,857	–	3,819,857
Lease liabilities	–	345,605	345,605
Total current liabilities	4,200,234	345,605	4,545,839
Total liabilities	**6,680,524**	**7,226,369**	**13,906,893**
Total equity and liabilities	**37,796,812**	**7,302,815**	**45,099,627**

In accordance with IFRS 16, all leases, with the exception of short term and low value asset leases, have been recognised on the balance sheet as both a right of use asset and a lease liability. The depreciation of the right of use asset is recognised as an increase to the cost of the bearer plants where it relates to the establishment of the vineyard, as an increase to the costs of the biological produce where it relates to vineyard rentals, as an increase to the cost of inventory where it relates to non-vineyard rentals that are direct costs and as an increase to administrative expenses for all other leases. Finance costs in relation to the unwinding of the lease liability are reflected in the corresponding areas.

In accordance with IAS 41, the biological produce is recognised at fair value. During each year, the grapes at the point of harvest are recognised at their fair value which forms the cost for inventory under IAS 2. The change in fair value is recognised in the Income Statement.

Where the lease adjustments and the fair value of the biological produce adjustment have impacted the cost of inventory, this has increased the standard cost used in order to value the inventory and determine the cost of sales recognised in the Income Statement.

Tax adjustments have been made reflective of the adjustments above.

In accordance with IFRS 15, variable consideration in respect of rebates on trade sales has been reclassified from administrative expenses to turnover.

2. Material accounting policy information (continued)

2.19 Adoption of IFRS (continued)

The impact of transition on the statement of cash flows relates primarily to the reclassification of certain rentals from operating cash flows under FRS 102 to financing cash flows under IFRS, within the heading lease repayments. The impact of this in 2022 was £566,611.

3. Critical accounting judgements and key sources of estimation uncertainty

The group makes judgements, estimates and assumptions that affect the application of policies and the carrying values of assets and liabilities, income and expenses. The resulting accounting estimates calculated using these judgements will, by definition, seldom equal the related actual results but are based on the experience of the Directors and 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:

3.1 Inventories

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

3.2 Tangible fixed assets

The directors annually assess whether there are any indicators of impairment to tangible fixed assets. If impairment indicators are identified, the directors will perform a detailed review of both the carrying value and the expected useful life of these assets.

The principal areas that include estimation uncertainty are as follows:

3.3 Fair value of biological produce

The Group's biological produce is measured at fair value less costs to sell at the point of harvest. The fair value of grapes is determined by reference to estimated market prices at the time of harvest. Generally, there is no readily obtainable market price for the Group's grapes because they are not sold on the open market, therefore management set the values based on their experience and knowledge of the sector including past purchase transactions. The key assumptions used to determine the fair value of biological assets and sensitivity analysis are provided in Note 16.

4. Segmental analysis

Revenue is taken to be gross sales proceeds, net of duty and variable consideration arising through volume discounts to suppliers ("retros"). The whole of the revenue is attributable to the principal activity of the group, the production and sale of alcoholic beverages.

Analysis of revenue by geography	**2023 £**	2022 £
United Kingdom	**16,826,431**	14,469,449
Rest of Europe	**171,479**	101,517
Rest of the world	**203,136**	428,136
	17,201,046	14,999,102

The Directors consider the Group to have only one operating segment. Details of the sole operating segment are shown in the consolidated statement of comprehensive income, consolidated statement of financial position and consolidated statement of cash flows.

4. Segmental analysis (continued)

The following customers made up over 10% of revenue:

	2023 **%**	2022 %
Customer 1	**17.2**	21.4

5. Exceptional costs

The exceptional costs in 2023 relate to costs for the listing of the Company on the London Stock exchange of £779,458 and implementation costs of new ERP and CRM systems as part of a group-wide IT Transformation Programme of £456,020. The exceptional costs in 2022 relate to restructuring costs.

6. Operating profit

The operating profit for the year is stated after charging the following:

	2023 **£**	2022 £
Depreciation	**306,163**	211,728
Amortisation of intangible assets	**37,515**	37,516
Equity settled share-based payments	**219,044**	57,790
Short term lease expense	**142,703**	52,929

7. Auditor's remuneration

	2023 **£**	2022 £
Audit of the Company and consolidated financial statements	**65,000**	40,000
Taxation and compliance services	**11,640**	10,990
Other services	**170,480**	909
Total auditor's remuneration	**247,120**	51,899

Other services in 2023 includes the cost of the auditor acting as reporting accountant on the historical financial information prepared for the Company's admission on the London Stock Exchange.

8. Employees

	2023 **£**	2022 £
Wages and salaries	**4,079,874**	3,019,127
Social security costs	**422,031**	346,526
Pension costs	**138,805**	82,675
	4,640,710	3,448,328

8. Employees (continued)

The average number of staff employed by the Group, including Directors, is detailed below:

	2023 No.	2022 No.
Administration	**28**	22
Production	**34**	27
Retail	**22**	16
Directors	**2**	3
	86	68

9. Director's renumeration

The table below sets out the Directors' remuneration and fees:

	Emoluments £	**Pension £**	**Total £**
2023			
Andrew Carter	**409,380**	**11,993**	**421,373**
Robert Smith	**257,520**	**–**	**257,520**
Michael Spencer	**10,154**	**–**	**10,154**
Martin Glenn	**50,000**	**–**	**50,000**
Nigel Wray	**20,000**	**–**	**20,000**
James Brooke	**20,000**	**–**	**20,000**
Stewart Gilliland	**20,000**	**–**	**20,000**
Samantha Wren	**20,000**	**–**	**20,000**
Selina Emeny	**10,000**	**–**	**10,000**
	817,054	**11,993**	**829,047**

	Emoluments £	**Pension £**	**Total £**
2022			
Andrew Carter	**387,100**	**11,325**	**398,425**
Robert Smith	**80,254**	**–**	**80,254**
Richard Woodhouse	**237,523**	**–**	**237,523**
Mark Harvey	**164,741**	**–**	**164,741**
Martin Glenn	**50,000**	**–**	**50,000**
Nigel Wray	**20,000**	**–**	**20,000**
James Brooke	**20,000**	**–**	**20,000**
Stewart Gilliland	**20,000**	**–**	**20,000**
Samantha Wren	**20,000**	**–**	**20,000**
Selina Emeny	**20,000**	**–**	**20,000**
	1,019,618	**11,325**	**1,030,943**

9. Director's renumeration (continued)

Directors' interests

The Directors held the following interest in the share capital of the Company either directly or beneficially:

	Ordinary shares held No.	% of issued share capital
Andrew Carter	**319,669**	**0.19%**
Robert Smith*	**2,000,000**	**1.17%**
Michael Spencer**	**178,571**	**0.08%**
Martin Glenn	**283,472**	**0.17%**
Nigel Wray***	**23,631,970**	**13.70%**
James Brooke	**493,806**	**0.29%**
Stewart Gilliland****	**390,891**	**0.23%**
Samantha Wren	**135,552**	**0.09%**

* Includes 215,338 Ordinary Shares held by Robert Smith's spouse and children.

** Lord Michael Spencer is the beneficial owner of IPGL, who hold a further 45,645,250 Ordinary Shares in the name of IPGL.

*** Of the above total, 21,195,571 Ordinary Shares are held by family trusts whose beneficiaries are Nigel Wray's children.

**** Includes 240,000 Ordinary Shares held by Stewart Gilliland's spouse.

Additionally, certain of the directors have share options in the Company. Martin Glenn has 533,332 share options outstanding at an exercise price of 76.5p per share. These options are fully vested and expire in July 2030. Andrew Carter has 286,079 share options outstanding at an exercise price of 30p per share which vest in December 2025 and expire in December 2032, 882,352 LTIPs outstanding at an exercise price of 42.5p per share which vest in April 2025 and expire in April 2032, and 748,571 LTIPs outstanding at an exercise price of 35p per share that vest in March 2026 and expire in January 2033. Robert Smith has 392,157 share options outstanding at an exercise price of 25.5p per share which vest in December 2025 and expire in December 2032, 867,347 LTIPs outstanding at an exercise price of 42.5p per share which vest in April 2025 and expire in April 2032, and 510,000 LTIPs outstanding at an exercise price of 35p per share that vest in March 2026 and expire in January 2033.

10. Finance costs

	2023 £	2022 £
Lease liability interest	**10,353**	526
Loan interest payable	**182,704**	119,041
	193,057	119,567

11. Income tax expense

	2023 £	2022 £
Current tax	**–**	–
Deferred tax		
Origination and reversal of timing differences	**816,224**	316,478
Adjustment in respect of prior periods	**(36,451)**	134,834
Total deferred tax	**779,773**	451,312
Income tax charge	**779,773**	451,312

11. Income tax expense (continued)

The tax charge for the year can be reconciled to the profit per the Statement of Comprehensive Income as follows:

	2023 **£**	2022 £
Profit before tax	**2,307,123**	1,235,686
Profit before taxation multiplied by standard rate of UK corporation tax of 23.5% (2022 – 19%)	**542,174**	234,780
Effects of:		
Ineligible depreciation and amortisation	**66,010**	44,903
Expenses not deductible for tax purposes	**177,620**	4,257
Adjustment to tax charge in respect of prior years	**(36,451)**	147,073
Differences due to deferred tax rate being higher than standard rate	**–**	79,529
Difference between tax to average corporation tax rate	**–**	22,575
Plant and machinery super-deduction	**(18,553)**	(81,805)
Utilisation of losses at lower rate of tax	**48,973**	–
Total tax charge for the year	**779,773**	451,312

In addition to the tax charge to profit, a deferred tax credit of £324,626 (2022: £nil) was made to other comprehensive income in respect of share-based payments.

12. Earnings per Ordinary share

	2023	2022
Profit for the year attributable to the ordinary equity holders of the Company (£)	**1,527,350**	784,374
Basic profit per Ordinary share		
Weighted average number of Ordinary shares in issue	**160,260,960**	159,108,712
Basic profit per Ordinary share (pence)	**0.95**	0.49
Diluted profit per Ordinary share		
Weighted average number of Ordinary shares in issue	**161,665,581**	159,565,165
Diluted loss per Ordinary share (pence)	**0.94**	0.49

Weighted average number of shares used as the denominator

	2023	2022
The weighted average number of shares used as the Denominator in basic earnings per share	**160,260,960**	159,108,712
Adjustments of calculation of diluted earnings per share:		
Dilutive share options	**1,404,621**	456,453
	161,665,581	159,565,165

13. Intangible assets

	Website £	Customer relationship £	Total £
Cost			
At 1 January 2022, 1 January 2023 and 31 December 2023	**82,300**	**63,167**	**145,467**
Amortisation			
At 1 January 2022	14,596	14,037	28,633
Charge for period	16,460	21,056	37,516
At 31 December 2022	31,056	35,093	66,149
Charge for the period	**16,460**	**21,055**	**37,515**
At 31 December 2023	**47,516**	**56,148**	**103,664**
Net book value			
At 31 December 2023	**34,784**	**7,019**	**41,803**
At 31 December 2022	51,244	28,074	79,318

14. Property, plant and equipment

	Freehold property £	Short-term leasehold property £	Right of use assets £	Plant and machinery £	Motor vehicles £	Fixtures, fittings and equipment £	Bearer plants £	Total £
Cost								
At 1 January 2022	5,230,064	219,995	8,543,570	5,265,945	35,378	670,382	8,674,950	28,640,284
Additions in year	448,787	–	36,837	1,012,980	40,372	58,831	560,773	2,158,580
Disposals in year	–	–	(53,223)	–	–	–	–	(53,223)
Remeasurement	–	–	20,523	–	–	–	–	20,523
At 31 December 2022	5,678,851	219,995	8,547,707	6,278,925	75,750	729,213	9,235,723	30,766,164
Additions in year	**109,919**	**–**	**1,173,933**	**271,688**	**15,000**	**59,509**	**1,319,305**	**2,949,354**
Disposals in year	**–**	**–**	**(287,756)**	**(171,018)**	**(13,781)**	**–**	**–**	**(472,555)**
Remeasurement	**–**	**–**	**196,566**	**–**	**–**	**–**	**–**	**196,566**
Reclassification	**(642,221)**	**–**	**–**	**–**	**–**	**–**	**642,221**	**–**
At 31 December 2023	**5,146,549**	**219,995**	**9,630,450**	**6,379,595**	**76,969**	**788,722**	**11,197,249**	**33,439,529**

14. Property, plant and equipment (continued)

	Freehold property £	Short-term leasehold property £	Right of use assets £	Plant and machinery £	Motor vehicles £	Fixtures, fittings and equipment £	Bearer plants £	Total £
Depreciation								
At 1 January 2022	1,510,686	114,532	2,299,110	1,953,052	27,734	603,812	723,883	7,232,809
Depreciation charge in year	143,565	22,000	471,420	248,508	7,554	26,077	426,784	1,345,908
Eliminated on disposal	–	–	(53,223)	–	–	–	–	(53,223)
At 31 December 2022	1,654,251	136,532	2,717,307	2,201,560	35,288	629,889	1,150,667	8,525,494
Depreciation charge in year	**171,386**	**22,000**	**539,943**	**279,152**	**12,925**	**33,810**	**433,083**	**1,492,299**
Eliminated on disposal	**-**	**-**	**(287,755)**	**(175,117)**	**(13,750)**	**-**	**-**	**(476,622)**
Reclassification	**(417,133)**	**-**	**-**	**-**	**-**	**-**	**417,133**	**-**
At 31 December 2023	**1,408,504**	**158,532**	**2,969,495**	**2,305,595**	**34,463**	**663,699**	**2,000,883**	**9,541,171**
Net book value								
At 31 December 2023	**3,738,045**	**61,463**	**6,660,955**	**4,074,000**	**42,506**	**125,023**	**9,196,366**	**23,898,358**
At 31 December 2022	4,024,600	83,463	5,830,400	4,077,365	40,462	99,324	8,085,056	22,240,670

Right-of-use assets included in the above comprise land and buildings and motor vehicles.

15. Fixed asset investments

During 2022 the Group acquired a 32% holding in Aker Wines and Spirits Limited, a newly formed company which specialises in the manufacture of wine-based spirits. The cost of the investment was fully impaired during 2022.

16. Biological produce

Included within the cost of inventory is the fair value of the grapes (biological produce) at the time the grapes are harvested. At the point of harvest, the harvest of grapes qualifies as biological produce under IAS 41 and are recorded at fair value at that date. The fair value becomes the basis of cost when accounting for inventories under IAS 2. Harvesting of grape crop is ordinarily performed between late September and mid-October. Costs incurred in growing grapes, including any applicable harvest costs, are initially allocated into the cost of inventory as part of the total costs to acquire and grow the biological produce. At the point of harvest, a fair value adjustment is made so that the cost per tonne is adjusted to fair value in accordance with IAS 41 and IFRS 13. Any difference between cost and fair value is included within the Statement of Comprehensive Income. The fair value of biological produce was:

	2023 £	2022 £
At 1 January	**–**	–
Crop growing costs	**3,461,389**	3,032,575
Fair value movement in biological produce	**2,171,386**	(156,373)
Fair value of grapes harvested and released to cost of sales	**(158,170)**	–
Fair value of grapes harvested and moved to inventory	**(5,474,605)**	(2,876,202)
At 31 December	**–**	–

The fair value of grapes harvested is determined by the senior management team using their knowledge and experience of the industry and with reference to the long-term market pricing data available to them. At each harvest, the senior management team consider the impact of the current market volatility on long term pricing data and any other relevant information available to them. The estimated market price per tonne for grapes used in respect of the harvests is:

	2023 £	2022 £
Fair value per tonne	**2,062**	2,166

Sensitivity analysis on the fair value per tonne used to determine the fair value of grapes at the point of harvest is set out below. Based on management's assessment of the volatility of the market, a sensitivity rate of 10 per cent has been used.

	2023 £	2022 £
Increase to fair value of grapes if 10% increase in fair value per tonne	**563,278**	287,620
Decrease to fair value of grapes if 10% decrease in fair value per tonne	**(563,278)**	(287,620)

17. Inventories

	2023 £	2022 £
Raw materials	**–**	35,623
Work in progress	**20,613,318**	14,360,539
Finished goods	**1,967,946**	1,248,945
	22,581,264	15,645,107

The following amounts were taken to cost of sales:

	2023 £	2022 £
Taken to cost of sales	**6,784,464**	5,906,948

18. Trade and other receivables

	2023 £	2022 £
Trade receivables	**3,244,719**	2,465,413
Other receivables	**348,629**	229,662
	3,593,348	2,695,075

Trade receivables do not contain a significant financing component. These financial assets have been reviewed at each year end the following provision for expected credit losses is considered necessary:

	2023 £	2022 £
Gross carrying amount – trade receivables	**3,400,399**	2,520,594
Loss allowance	**(155,680)**	(55,181)

The loss allowances for trade receivables as at 31 December reconcile to the opening loss allowances as follows:

	2023 £	2022 £
Opening loss allowance at 1 January	**55,181**	89,925
Increase/(decrease) in loss allowance recognised in profit or loss	**100,499**	(34,744)
Closing loss allowance at 31 December	**155,680**	55,181

Other receivables include amounts due for sales taxes, prepayments and security deposits held for leases.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

19. Cash and cash equivalents

	2023 £	2022 £
Cash at bank and on hand	**1,004,305**	5,800,771

20. Issued capital

The allotted, called up and fully paid share capital was as follows:

	2023 £	2022 £
Allotted, called up and fully paid share capital		
171,338,785 (2022: 159,253,885) Ordinary shares of £0.05 each	**8,566,939**	7,962,694
Nil (2022: 14,322,158) A1 shares of £0.0001 each	**–**	1,432
Nil (2022: 3,800,000) A2 shares of £0.0001 each	**–**	380
	8,566,939	7,964,506

20. Issued capital (continued)

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

During the year the Company's entire issued share capital was admitted to trading on the AIM market, a market operated by the London Stock Exchange plc. The Company simultaneously delisted its entire share capital from the Aquis Apex Growth Market. The admission to AIM was an exit event under the Company's growth share agreements which triggered the conversion of the A1 and A2 shares, resulting in the issuance of 12,084,900 new ordinary shares to the growth shareholders.

Prior to conversion, the A1 and A2 shares had no voting rights and no specific dividend rights unless a special dividend was declared. The A1 and A2 shares only participated in value on a company exit event if the company was worth more than £33.9m at the exit date.

At the year-end there were 9,213,981 (2022 – 5,025,559) ordinary share options outstanding, see note 21 for valuations.

Movements in £0.05 ordinary shares

	No. of shares	Share Capital £	Share premium £	Total £
Balance at 1 January 2022	157,521,804	7,876,090	32,010,161	39,886,251
Exercise of share options	1,732,081	86,604	133,415	220,019
Balance at 31 December 2022	159,253,885	7,962,694	32,143,576	40,106,270
Re-designated from A1 shares	**28,644**	**1,432**	**–**	**1,432**
Re-designated from A2 shares	**7,600**	**380**	**–**	**380**
Bonus issue of shares	**12,048,656**	**602,433**	**(602,433)**	**-**
Balance at 31 December 2023	**171,338,785**	**8,566,939**	**31,541,143**	**40,108,082**

Movements in A1 shares

At the beginning of 2023 and 2022 there were 14,322,158 £0.0001 A1 shares in issue. On 6 December 2023, 14,322,000 of these shares were consolidated on a 1 for 500 basis such that the nominal value was £0.05. The 28,644 £0.05 shares were then immediately re-designated as £0.05 ordinary shares.

The remaining 158 A1 shares were purchased by a nominee for the Company and were subsequently cancelled.

Movements in A2 shares

At the beginning of 2023 and 2022 there were 3,800,000 £0.0001 A2 shares in issue. On 6 December 2023, these shares were consolidated on a 1 for 500 basis such that the nominal value was £0.05. The 7,600 £0.05 shares were the immediately re-designated as £0.05 ordinary shares.

21. Equity share-based payments

Share options were awarded to certain employees of the Group. The vesting conditions of each of the options requires the same length of service as the vesting period.

	2023 No.	2022 No.
Outstanding at start of the year	**5,025,559**	3,706,413
Granted during the year	**4,527,143**	3,917,344
Exercised during the year	**–**	(1,732,081)
Forfeited during the year	**(338,721)**	(866,117)
At end of the year	**9,213,981**	5,025,559

	2023 No.	2022 No.
Weighted average exercise price at end of the year (pence)	**40.87**	44.88
Weighted average fair value of options granted in the year (pence)	**8.09**	8.90
Weighted average exercise price of options exercised in the year (pence)	**–**	12.70
Weighted average vesting period (years)	**2.98**	3.14

The fair value of the share options is estimated using the Black-Scholes option pricing model, which the directors believe is the most appropriate method for calculating the fair values. The assumptions used in calculating the fair values use the following range of inputs:

Options issued in 2022	
Share price at date of grant	36.5p to 42.5p
Exercise price	25.5p to 42.5p
Expected life (years)	3
Expected volatility (%)	24.16%
Risk free interest rate (%)	3.5%

Options issued in 2023	
Share price at date of grant	35.0p to 42.5p
Exercise price	35.0p to 42.5p
Expected life (years)	2.1 to 3.3
Expected volatility (%)	24.47%
Risk free interest rate (%)	5.25%

22. Reserves

Share premium

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

Capital redemption reserve

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

22. Reserves (continued)

Revaluation reserve

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

Upon transition to FRS 102 in 2015 the valuation of the freehold land and buildings was treated as deemed cost. The reserve is adjusted for excess depreciation on an annual basis.

Retained earnings

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

23. Borrowings

	2023 £	2022 £
Amounts falling due within one year		
Bank loans	**2,240,748**	467,385
Amounts falling due 1-2 years		
Bank loans	**–**	2,071,159
	2,240,748	2,538,544

During 2021 the Group obtained a £15 million financing facility with PNC Business Credit which includes a £3 million term loan and a £12 million revolving credit facility. In June 2021 the £3 million term loan was drawn down. The term loan is repayable in monthly instalments followed by a bullet repayment of £2,125,000 in May 2024. No amounts have been drawdown on the revolving credit facility.

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

24. Trade and other payables

	2023 £	2022 £
Non-current		
Other payables	**22,630**	17,969
Current		
Trade payables	**3,231,782**	2,338,309
Payroll taxes, pension & social security	**516,244**	572,924
Other payables	**2,000,545**	1,376,336
	5,748,571	4,287,569

25. Lease liabilities

	2023 £	2022 £
At beginning of year	**6,923,693**	7,224,989
Additions	**1,106,882**	36,837
Remeasurement	**196,566**	20,523
Interest expense	**305,938**	207,955
Payments	**(645,284)**	(566,611)
At end of year	**7,887,795**	6,923,693

The Group has lease contracts for land and buildings and motor vehicles. Leases are negotiated individually and are for terms of between 18 months and 25 years. The weighted average remaining term of all leases is disclosed below. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. The land and buildings leases have been discounted at the Group's incremental borrowing rate of 2.5 per cent. over base rate and the motor vehicle leases have been discounted at 3.0 per cent. over base.

Certain of the Group's leases contain rent review clauses that are index linked to RPI. Initially the leases are measured taking into account the RPI at the date of measurement. Subsequently, when the rent review takes place, the lease liability is remeasured.

The Group has identified leases with lease terms of 12 months or less. The Group applies the short-term lease recognition exemption for these leases. The expense recognised in respect of these leases is disclosed in Note 6.

	2023 £	2022 £
Maturity analysis of leases		
Current	**430,655**	340,895
1 to 5 years	**707,571**	1,252,503
More than 5 years	**6,749,569**	5,330,295
	7,887,795	6,923,693

	2023 years	2022 years
Weighted average remaining term	**17.10**	17.76

26. Deferred tax liability/(asset)

	2023 £	2022 £
At 1 January 2023	**438,249**	(13,063)
Charge to profit or loss	**779,773**	451,312
Credit to other comprehensive income	**(324,626)**	–
At 31 December 2023	**893,396**	**438,249**

The provision for deferred tax is made up as follows:

	2023 £	2022 £
Accelerated capital allowances	**1,361,261**	1,172,888
Tax losses carried forward and other deductions	**(21,860)**	(718,936)
Share options	**(402,674)**	(9,932)
Short term timing differences	**(43,331)**	(32,432)
IFRS transition adjustments taxed in future periods	**–**	26,661
	893,396	**438,249**

27. Financial instruments

The Group's treasury policy is to avoid transactions of a speculative nature. In the course of trade the Group is exposed to a number of financial risks that can be categorised as market, credit and liquidity risks. The Board has identified the risks within each category and considers the impact on the activities of the Group as part of their regular meeting routine.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

Trade and other receivables
Cash and cash equivalents
Trade and other payables
Borrowings
Lease liabilities

Financial assets

	2023 £	2022 £
Measured at amortised cost		
Cash and cash equivalents	**1,004,305**	5,800,771
Trade and other receivables	**3,460,145**	2,623,084
	4,464,450	8,423,855

The fair value of short-term deposits and other financial assets approximates to the carrying amount.

27. Financial instruments (continued)

Financial liabilities

	2023	2022
	£	£
Liabilities measured at amortised cost		
Borrowings	**2,240,748**	2,538,544
Trade and other payables	**3,714,012**	3,731,981
Lease liabilities	**7,887,795**	6,923,693
	13,842,555	13,194,218

The Directors consider that the carrying amounts of all financial assets and financial liabilities recognised in the financial statements approximate their fair values (due to their interest-bearing nature or short times to maturity).

Currency risk

The Group's financial risk management objective is broadly to seek to make neither profit nor loss from exposure to currency or interest rate risks. The Group is exposed to transactional foreign exchange risk and takes profits and losses as they arise, as in the opinion of the Directors, the cost of hedging against fluctuations would be greater than the related benefit from doing so.

The Group does not hold any trade or other receivables or cash balances in any currency other that pounds sterling.

The Group does not hold any significant trade payables in any currency other than pounds sterling and therefore any sensitivity analysis would be immaterial to these accounts.

Credit risk

Credit risk is the risk that a customer or counterparty to a financial instrument will fail to perform or fail to pay amounts due causing financial loss to the Group. Credit risk within the Group arises from cash and cash equivalents, and trade and other receivables. The maximum exposure to credit risk is the carrying amount of these financial instruments.

The Group is subject to concentrations of credit risk from cash deposits in excess of insured limits. The Group places its cash in financial institutions which are considered high quality financial institutions by management. At times, such cash deposits may be in excess of insured limits. The Group does not enter into any derivatives to manage credit risk.

The Group calculates expected loss allowances based on the maximum contractual year over which the Group is exposed to credit risk. Financial assets are considered to be credit-impaired when there is reasonable and supportable evidence that one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. The Group has made an assessment of whether trade receivables are credit-impaired at the year end. The Group has taken into account the current financial position of counterparties and expected future cash flows together with actual and forecast financial information, in order to estimate the probability of default of each of these financial assets as well as the loss upon default. The allowance for losses is disclosed in note 18.

The contractual cash flows on these financial assets have not been modified or renegotiated in the current or prior year.

If there is evidence that there is no reasonable expectation of recovery and the counterparty is in severe financial difficulties, the financial asset will be written off.

27. Financial instruments (continued)

Liquidity risk

The Group is exposed to liquidity risk as part of its normal trading cycle. The Group's policies ensure sufficient liquidity is available to meet foreseeable needs through the preparation of short- and long-term forecasts. The Group's requirements are constant throughout the year and relate largely to working capital which is managed through the use of surplus cash.

The table below summarises the maturity profile of the Group's financial liabilities, based on contractual, undiscounted payments:

	Less than 1 year £	**2 to 5 years £**	**More than 5 years £**	**Total £**
Year ended 31 December 2023				
Borrowings	2,240,748	–	–	2,240,748
Trade and other payables	5,700,037	22,630	–	5,722,667
Lease liabilities	893,433	2,646,757	15,428,851	18,969,041
	8,834,218	**2,669,387**	**15,428,851**	**26,932,456**

	Less than 1 year £	**2 to 5 years £**	**More than 5 years £**	**Total £**
Year ended 31 December 2022				
Borrowings	467,385	2,071,159	–	2,538,544
Trade and other payables	5,006,940	–	–	5,006,940
Lease liabilities	551,064	2,117,089	8,883,576	11,551,729
	6,025,389	**4,188,248**	**8,883,576**	**19,097,213**

Capital risk

The Directors define capital as the total equity of the company. The Directors' objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal structure to reduce the cost of capital. In order to maintain an optimal capital structure, the directors may adjust the amount of dividends paid to shareholders, return capital to shareholders and issue new stock to reduce debt.

28. Reconciliation of net debt and financing liabilities

	2023 £	2022 £
Cash at end of year	1,004,305	5,800,771
Borrowings at end of year	(2,240,748)	(2,538,544)
Net (debt)/cash excluding lease liabilities	**(1,236,443)**	**3,262,227**
Lease liabilities at end of year	(7,887,795)	(6,923,693)
Net (debt) including lease liabilities	**(9,124,238)**	**(3,661,466)**

28. Reconciliation of net debt and financing liabilities (continued)

All changes in liabilities arising from financing activities relate to movements in borrowings and lease liabilities and an analysis is provided below:

Borrowings	2023 £	2022 £
At beginning of year	2,538,544	2,832,688
Cash flows		
Repayments	(480,423)	(413,184)
Non-cash changes		
Interest expense	182,627	119,040
At end of year	**2,240,748**	**2,538,544**

Lease liabilities	2023 £	2022 £
At beginning of year	6,923,693	7,224,989
Cash flows		
Lease repayments	(645,284)	(566,611)
Non-cash changes		
Interest expense	305,938	207,955
Remeasurements	196,566	20,523
Lease additions	1,106,882	36,837
At end of year	**7,887,795**	**6,923,693**

29. Guarantees and other commitments

At 31 December 2023 there was a guarantee in place in favour of HM Revenue and Customs for £70,000 (2022: £270,000). At the year end, the Directors consider that there is a capital commitment of £384,561 (2022: £874,218).

30. Ultimate controlling party

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

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Note	2023 £	2022 £
Non-current assets			
Intangible assets	*7*	**7,019**	28,074
Property, plant and equipment	*8*	**19,274,764**	17,756,406
Investments in equity instruments	*9*	**50,000**	50,000
Amounts owed by group undertakings	*10*	**19,492,237**	15,551,170
		38,824,020	33,385,650
Current assets			
Trade and other receivables	*10*	**160,826**	156,562
Cash and cash equivalents	*11*	**594,352**	4,128,748
		755,178	4,285,310
Total assets		**39,579,198**	37,670,960
Equity and liabilities			
Equity			
Called up share capital	*12*	**8,566,939**	7,964,506
Share premium	*13*	**31,541,143**	32,143,576
Capital redemption reserve	*13*	**400**	400
Revaluation reserve	*13*	**840,933**	871,237
Retained earnings	*13*	**(11,562,497)**	(12,687,107)
Total equity		**29,386,918**	28,292,612
Non-current liabilities			
Borrowings	*14*	**–**	2,071,159
Lease liabilities	*16*	**7,030,732**	6,257,338
Deferred tax liabilities	*17*	**501,480**	253,344
		7,532,212	8,581,841
Current liabilities			
Borrowings	*14*	**2,240,748**	467,385
Trade and other payables	*15*	**36,905**	34,678
Lease liabilities	*16*	**382,415**	294,444
Total current liabilities		**2,660,068**	796,507
Total liabilities		**10,192,280**	9,378,348
Total equity and liabilities		**39,579,198**	37,670,960

The Company made a profit in the year of £875,262 (2022: £388,897).

The Notes on pages 85 to 99 form an integral part of these Company Financial Statements.

The financial statements were approved by the board of directors and authorised for issue on 15 April 2024 and are signed on its behalf by:

A.J. Carter **R.A.C. Smith** Company number: 04362181

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

	Called up Share capital £	Share premium £	Capital redemption reserve £	Revaluation reserve £	Retained earnings £	Total equity £
At 1 January 2023	**7,964,506**	**32,143,576**	**400**	**871,237**	**(12,687,107)**	**28,292,612**
Profit for the year	–	–	–	–	875,262	875,262
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**875,262**	**875,262**
Transactions with owners:						
Share based payments expense	–	–	–	–	219,044	219,044
Bonus issue of shares	602,433	(602,433)	–	–	–	–
Transfer of excess depreciation charge to revaluation reserve	–	–	–	(30,304)	30,304	–
Total transactions with owners	**602,433**	**(602,433)**	**–**	**(30,304)**	**249,348**	**219,044**
At 31 December 2023	**8,566,939**	**31,541,143**	**400**	**840,933**	**(11,562,497)**	**29,386,918**

The Notes on pages 85 to 99 form an integral part of these Company Financial Statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up Share capital £	Share premium £	Capital redemption reserve £	Revaluation reserve £	Retained earnings £	Total equity £
At 1 January 2022	**7,877,902**	**32,010,161**	**400**	**901,541**	**(13,164,098)**	**27,625,906**
Profit for the year (restated)*	–	–	–	–	388,897	388,897
Total comprehensive loss for the year (restated)	**–**	**–**	**–**	**–**	**388,897**	**388,897**
Transactions with owners:						
Share based payments expense (restated)*	–	–	–	–	57,790	57,790
Shares issued in the year	86,604	133,415	–	–	–	220,019
Transfer of excess depreciation charge to revaluation reserve	–	–	–	(30,304)	30,304	–
Total transactions with owners (restated)*	**86,604**	**133,415**	**–**	**(30,304)**	**88,094**	**277,809**
At 31 December 2022	**7,964,506**	**32,143,576**	**400**	**871,237**	**(12,687,107)**	**28,292,612**

The Notes on pages 85 to 99 form an integral part of these Company Financial Statements.

* Profit for the year has been restated to reflect the impact of the Group's share-based payment expense in the Chapel Down Group Plc parent company accounts, where previously the share-based payment reserve was recognised directly within the subsidiary, English Wines Plc. This adjustment has no impact on the consolidated group results since intra-group transactions are eliminated on consolidation.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

1. General information

Chapel Down Group Plc is a public company limited by shares incorporated in England and Wales. The registered office is Chapel Down Winery, Small Hythe Road, Tenterden, Kent, TN30 7NG.

2. Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- The requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment;
- The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- The requirements of IFRS 7 Financial Instruments: Disclosures;
- The requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- The requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
- Paragraph 79(a)(iv) of IAS 1;
- Paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- Paragraph 118(e) of IAS 38 Intangible Assets;
- The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- The requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- The requirements of IAS 7 Statement of Cash Flows;
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- The requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a Group;
- The requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairments of Assets.

3. Material accounting policy information

3.1 Foreign currency translation

Functional and presentational currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in pounds sterling, which is Chapel Down Group Plc's functional and presentation currency.

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 year 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.

3. Material accounting policy information (continued)

3.1 Foreign currency translation (continued)

Transactions and balances (continued)

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Foreign exchange gains and losses are presented in the Statement of Comprehensive Income under the heading to which they relate.

3.2 Taxation

Taxation expense for the year comprises current and deferred tax recognised in the reporting year. Tax is recognised in the Statement of Comprehensive Income.

Current tax

Current tax is the amount of tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences that exist only where it is probable that taxable profits will be generated against which the carrying value of the deferred tax asset can be recovered.

Deferred tax liabilities are recognised for all taxable temporary differences except in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint operations where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

3.3 Share-based payments

The Company measures the fair value of equity-settled transactions with employees and Directors at the grant date of the equity instruments. The fair value is calculated using an appropriate valuation model and requires assumptions regarding dividend yields, risk-free interest rates, share price volatility and expected life of an employee or Director share option. The arising expense is charged to the Statement of Comprehensive Income on a straight-line basis over the expected vesting period.

3.4 Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price and any costs attributable to bringing the asset into the location and condition necessary for it to be capable of operating in the manner intended by management. Expenditures for routine maintenance and repairs are expensed as incurred, while additions and improvements are capitalised.

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

A right-of-use asset is recognised at the commencement date of the lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of costs expected to be incurred for restoring the site or asset.

3. Material accounting policy information (continued)

3.4 Property, plant and equipment (continued)

Depreciation is charged so as to allocate the costs 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
- Bearer plants – approach explained below

Land included within Freehold land and buildings is not depreciated.

Assets under construction are not depreciated.

An item of property, plant and equipment is derecognised upon disposal or when no further economic benefits are expected to arise from the use of that asset. Any gain or loss arising on de-recognition of the asset is included in the income statement when the asset is derecognised.

The Company owns bearer plants in the form of grape vines which are cultivated on land owned and/or leased by the Company. The costs of bringing the vines to maturity for the first 3 years of the vines' life are capitalised. These costs include attributable overheads.

The bearer plants have an expected useful life of 21 years and are depreciated over 21 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 bearer plant to maturity will offer restricted harvest before the asset will be matured in year 5. In year 3 the asset is depreciated by a third of the annual depreciation rate. In year 4 the asset is depreciated by two thirds and from year 5 the asset is depreciated for the remaining 19 years.

3.5 Leasing

The Company applies a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. At commencement of a lease, the Company as lessee recognises a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The amount of the lease liability recognised is on a discounted basis. The discount rates used on transition were incremental borrowing rates as appropriate for each lease based on factors such as the lease term and payment terms. Where the rate implicit in the lease cannot readily be determined the Company used the lessee's incremental borrowing rate. The Company does not have any leases where the Company is a lessor.

At commencement of the lease, the Company estimates any variable lease payments that are based on published indices. At the date revised lease payments are determined, the Company remeasures the lease liability at that date, with the corresponding entry being made to the cost of the right of use asset related to the lease.

The Company takes advantage of the practical expedient which allows an exemption from capitalisation for leases with terms of 12 months or less and low value leases.

Right of use assets are reviewed regularly to ensure that the useful economic life of the asset is still appropriate based on the usage of the asset. Where the asset has reduced in value, the Company considers the situation on an asset-by-asset basis and treats the reduction as an impairment under IAS 36 'Impairment of Assets'.

3.6 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held at call with banks.

3.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3. Material accounting policy information (continued)

3.7 Financial instruments (continued)

Financial instruments are classified into one of the categories discussed below in accordance with IFRS 9, with reference to the business model for that instrument and the contractual cash flow characteristics.

Financial assets and liabilities are offset and the net amount reported in the financial statements if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

The accounting policy for each category is as follows:

Financial assets

Financial assets comprise cash and cash equivalents and receivables.

Receivables primarily consist of trade and other receivables. These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are initially recognised at transaction price plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, adjusted for change in expected credit losses.

Impairment of financial assets

The IFRS 9 impairment model requires the recognition of ‘expected credit losses’. Therefore, it is not necessary for a credit event to have occurred before credit losses are recognised. The impairment model applies to the Company’s financial assets.

For trade receivables the Company has applied the simplified approach permitted by IFRS 9 in calculating expected credit losses. This approach requires expected lifetime losses to be recognised from initial recognition of the receivables.

Financial liabilities

Financial liabilities include trade and other payables, borrowings and lease liabilities.

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Lease liabilities

Lease liabilities are recognised at the present value of future lease payments and subsequently carried at amortised cost using the effective interest method.

Borrowings

Borrowings are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange is treated as the de-recognition of the original liability and the recognition of a new liability. When the modification is not substantial the difference between the carrying amount of the liability before the modification and the present value of the cash flows after modification is recognised in profit or loss.

Classification of financial instruments issued by the Company

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- where the instrument will or may be settled in the Company’s own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company’s own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

3. Material accounting policy information (continued)

3.8 Intangible assets

Intangible assets are held at cost less accumulated amortisation and accumulated impairment losses. Both intangible assets are considered to have a finite useful life. The expected useful life of the customer relationship is estimated to be three years from acquisition. The expected useful life of the website is estimated to be five years from development.

The assets are reviewed for impairment under IAS 36 at each period end.

3.9 Investment in subsidiaries

Investments in subsidiaries are stated at cost less accumulated impairment.

3.10 Impairment

At each reporting date, the Company assesses whether there is any indication that an asset, other than inventories and deferred tax assets, may be impaired. Where an indicator of impairment exists, the Company makes an estimate of the recoverable amount. An impairment loss is recognised in profit or loss whenever the carrying amount of the asset or cash generating unit exceeds its recoverable amount.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

At each reporting date, the Company assesses whether there is any indication that an asset, other than inventories and deferred tax assets, may be impaired. Where an indicator of impairment exists, the Company makes an estimate of the recoverable amount. An impairment loss is recognised in profit or loss whenever the carrying amount of the asset or cash generating unit exceeds its recoverable amount.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount greater than cost, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.11 Related party transactions

The Company discloses transactions with related parties which are not wholly owned within the same Company. It does not disclose transactions with members of the same Company that are wholly owned. Transactions of a similar nature are aggregated unless, in the opinion of the Directors separate disclosure is necessary to understand the effect of the transactions on the financial statements.

3. Material accounting policy information (continued)

3.12 New and amended standards adopted by the Company

The Company has applied the following amendments for the first time for the annual reporting period commencing 1 January 2023:

- *Presentation of Financial Statements – Amendments to IAS 1*
- *Making Materiality Judgements – Disclosure of Accounting Policies – Amendments to IFRS Practice statement 2*
- *Income Tax – Amendments to IAS 12*
- *Accounting Policies, Changes in Accounting Estimates and Errors – Amendments to IAS 8.*

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

3.13 New standards and interpretations not yet adopted

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective:

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28*
- *Classification of Liabilities as Current or Non-current – Amendments to IAS 1*
- *Non-current Liabilities with Covenants – Amendments to IAS 1*
- *Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7.*

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods.

3.14 Segment information

The chief operation decision-maker (“CODM”) is considered to be the Board of Directors. The CODM allocates resources and assesses the performance of the business and other activities at the operating segment level.

The CODM has determined that the Company has one operating segment, the production and sale of alcoholic beverages.

3.15 Adoption of IFRS

This is the first year the Company has prepared its financial information in accordance with IFRS as issued by the UK Endorsement Board (UKEB). The date of transition to IFRS was 1 January 2023 and the adjustments arising as a result of this transition are set out below.

The Financial Reporting Standard applicable in the UK and Republic of Ireland (“FRS 102”) differs in certain respects from IFRS hence, when preparing financial information, management has amended certain accounting and measurement bases to comply with IFRS.

IFRS 1: ‘First-time adoption of International Financial Reporting Standards’ (“IFRS 1”) permits the Company to take advantage of certain exemptions from applying the requirements on a fully retrospective basis at the date of transition in certain instances. The Company has chosen to apply the following exemptions which are permitted under IFRS 1:

- The Company applies the short-term lease recognition exemption to its short term leases of machinery and equipment (i.e., those lease that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to lease of office equipment that are considered to be low value. Lease payments on short term leases and leases of low value assets are recognised as an expense on a straight-line basis over the lease term.

3. Material accounting policy information (continued)

3.15 Adoption of IFRS (continued)

The adjustments to the Statement of Financial Position at 31 December 2022 are as follows:

	FRS 102 £	Adj £	IFRS £
Assets			
Non-current assets			
Intangibles	28,074	–	28,074
Property, plant and equipment	11,636,233	6,120,173	17,756,406
Investments in equity instruments	50,000	–	50,000
Amounts owed by group undertakings	15,119,561	431,609	15,551,170
	26,833,868	6,551,782	33,385,650
Current assets			
Trade and other receivables	156,562	–	156,562
Cash and cash equivalents	4,128,748	–	4,128,748
	4,285,310	–	4,285,310
Total assets	**31,119,178**	**6,551,782**	**37,670,960**
Equity and Liabilities			
Equity			
Called up share capital	7,964,506	–	7,964,506
Share premium	32,143,576	–	32,143,576
Capital redemption reserve	400	–	400
Revaluation reserve	871,237	–	871,237
Retained earnings	(12,687,107)	–	(12,687,107)
Total equity	**28,292,612**	**–**	**28,292,612**
Non-current liabilities			
Borrowings	2,071,159	–	2,071,159
Lease liability	–	6,257,338	6,257,338
Deferred tax liability	253,344	–	253,344
	2,324,503	6,257,338	8,581,841
Current liabilities			
Borrowings	467,385	–	467,385
Trade and other payables	34,678	–	34,678
Lease liabilities	–	294,444	294,444
Total current liabilities	502,063	294,444	796,507
Total liabilities	**2,826,566**	**6,551,782**	**9,378,348**
Total equity and liabilities	**31,119,178**	**6,551,782**	**37,670,960**

3. Material accounting policy information (continued)

3.15 Adoption of IFRS (continued)

The adjustments to the Statement of Financial Position at 31 December 2021 are as follows:

	FRS 102 £	Adj £	IFRS £
Assets			
Non-current assets			
Intangibles	49,130	–	49,130
Property, plant and equipment	11,198,586	6,520,670	17,719,256
Investments in equity instruments	50,000	–	50,000
Amounts owed by group undertakings	11,227,988	298,656	11,526,644
	22,525,704	6,819,326	29,345,030
Current assets			
Trade and other receivables	62,171	–	62,171
Cash and cash equivalents	7,901,768	–	7,901,768
	7,963,939	–	7,963,939
Total assets	**30,489,643**	**6,819,326**	**37,308,969**
Equity and Liabilities			
Equity			
Called up share capital	7,877,902	–	7,877,902
Share premium	32,010,161	–	32,010,161
Capital redemption reserve	400	–	400
Revaluation reserve	901,541	–	901,541
Retained earnings	(13,164,097)	–	(13,164,097)
Total equity	**27,625,907**	**–**	**27,625,907**
Non-current liabilities			
Borrowings	2,452,311	–	2,452,311
Lease liability	–	6,532,975	6,532,975
	2,452,311	6,532,975	8,985,286
Current liabilities			
Borrowings	380,377	–	380,377
Trade and other payables	31,048	–	31,048
Lease liabilities	–	286,351	286,351
Total current liabilities	411,425	286,351	697,776
Total liabilities	**2,863,736**	**6,819,326**	**9,683,062**
Total equity and liabilities	**30,489,643**	**6,819,326**	**37,308,969**

In accordance with IFRS 16, all leases, with the exception of short term and low value asset leases, have been recognised on the balance sheet as both a right of use asset and a lease liability. The depreciation of the right of use asset is recognised as an increase to the cost of the bearer plants where it relates to the establishment of the vineyard, as an increase to the costs of the biological produce where it relates to vineyard rentals, as an increase to the cost of inventory where it relates to non-vineyard rentals that are direct costs and as an increase to administrative expenses for all other leases. Finance costs in relation to the unwinding of the lease liability are reflected in the corresponding areas.

3. Material accounting policy information (continued)

3.15 Adoption of IFRS (continued)

Tax adjustments have been made reflective of the adjustments above.

The impact of transition on the statement of cash flows relates primarily to the reclassification of certain rentals from operating cash flows under FRS 102 to financing cash flows under IFRS, within the heading lease repayments.

4. Critical accounting judgements 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 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:

4.1 Tangible fixed assets

The directors annually assess whether there are any indicators of impairment to tangible fixed assets. If impairment indicators are identified, the directors will perform a detailed review of both the carrying value and the expected useful life of these assets.

4.2 Balance owed from group entities

The directors annually assess the carrying value of intercompany debt to assess whether a provision needs to be entered against amounts which may not be recoverable. Interest is charged on the intercompany debt, and the Directors consider it to be set at a market rate.

5. Profit for the financial period

The Company has taken advantage of section 408 of the Companies Act 2006 and, consequently, a Profit and Loss Account for the Company alone has not been presented.

6. Directors' renumeration

The Directors' aggregate remuneration in respect of qualifying services were:

	2023 **£**	2022 £
Directors' emoluments	**666,901**	869,618
Pension costs	**11,993**	16,451
	678,894	886,069

The remuneration of the highest paid Director was as follows:

	2023 **£**	2022 £
Wages and salaries	**409,380**	387,100
Pension costs	**11,993**	11,325
	421,373	398,425

Key management compensation is equal to Director's remuneration.

7. Intangible assets

	Customer relationship £
Cost	
At 1 January 2023 and 31 December 2023	**63,167**
Amortisation	
At 1 January 2023	**35,093**
Charge for the period	**21,055**
At 31 December 2023	**56,148**
Net book value	
At 31 December 2023	**7,019**
At 31 December 2022	28,074

8. Property, plant and equipment

	Freehold land and buildings £	Short term leasehold properties £	Right of Use assets £	Plant and machinery £	Bearer plants £	Total £
Cost						
At 1 January 2023	5,425,664	219,995	7,963,524	839,791	9,235,723	23,684,697
Additions in year	109,919	–	1,047,083	–	1,319,305	2,476,307
Disposals in year	–	–	(129,528)	(160,160)	–	(289,688)
Remeasurement	–	–	123,958	–	–	123,958
Reclassification	(642,221)	–	–	–	642,221	–
At 31 December 2023	**4,893,362**	**219,995**	**9,005,037**	**679,631**	**11,197,249**	**25,995,274**
Depreciation						
At 1 January 2023	1,420,211	136,532	2,403,997	816,883	1,150,668	5,928,291
Depreciation charge in year	163,395	22,000	473,620	2,206	433,083	1,094,304
Eliminated on disposal	–	–	(129,528)	(172,557)	–	(302,085)
Reclassification	(417,133)	–	–	–	417,133	–
At 31 December 2023	**1,166,473**	**158,532**	**2,748,089**	**646,532**	**2,000,884**	**6,720,510**
Net book value						
At 31 December 2023	**3,726,889**	**61,463**	**6,256,948**	**33,099**	**9,196,365**	**19,274,764**
At 31 December 2022	4,005,453	83,463	5,559,527	22,908	8,085,055	17,756,406

9. Fixed asset investments

	Shares in group undertaking	Shares in associate undertaking	Total £
Cost			
At 1 January 2023 and at 31 December 2023	**50,000**	**15,207**	**65,207**
Impairment			
At 1 January 2023 and at 31 December 2023	**–**	**15,207**	**15,207**
Net book value			
At 31 December 2023 and at 31 December 2022	**50,000**	**–**	**50,000**

Shares in group undertakings consists of a 100% ordinary share holding of English Wines Plc. Shares in associates consists of a 32% share of Aker Wines and Spirits Limited.

10. Trade and other receivables

	2023 £	2022 £
Current		
Other receivables	**160,826**	156,562
Non-current		
Amounts owed by group undertakings	**19,492,237**	15,551,170

11. Cash and cash equivalents

	2023 £	2022 £
Cash at bank and on hand	**594,352**	4,128,748

12. Issued capital

The allotted, called up and fully paid share capital was as follows:

	2023 £	2022 £
Allotted, called up and fully paid share capital		
171,338,785 (2022: 159,253,885) Ordinary shares of £0.05 each	**8,566,939**	7,962,694
Nil (2022: 14,322,158) A1 shares of £0.0001 each	**–**	1,432
Nil (2022: 3,800,000) A2 shares of £0.0001 each	**–**	380
	8,566,939	7,964,506

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

12. Issued capital (continued)

During the year the Company's entire issued share capital was admitted to trading on the AIM market, a market operated by the London Stock Exchange plc. See note 20 of the Group accounts for further detail.

At the year-end there were 9,213,981 (2022 – 5,025,559) ordinary share options outstanding, see note 21 of the Group accounts for valuations.

Movements in A1 shares

At the beginning of 2023 and 2022 there were 14,322,158 £0.0001 A1 shares in issue. On 6 December 2023, 14,322,000 of these shares were consolidated on a 1 for 500 basis such that the nominal value was £0.05. The 28,644 £0.05 shares were then immediately re-designated as £0.05 ordinary shares.

The remaining 158 A1 shares were purchased by a nominee for the Company and were subsequently cancelled.

Movements in A2 shares

At the beginning of 2023 and 2022 there were 3,800,000 £0.0001 A2 shares in issue. On 6 December 2023, these shares were consolidated on a 1 for 500 basis such that the nominal value was £0.05. The 7,600 £0.05 shares were the immediately re-designated as £0.05 ordinary shares.

13. Reserves

Share premium

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

Capital redemption reserve

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

Revaluation reserve

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

Upon transition to FRS 102 in 2015 the valuation of the freehold land and buildings was treated as deemed cost. The reserve is adjusted for excess depreciation on an annual basis.

Retained earnings

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

14. Borrowings

	2023 £	2022 £
Amounts falling due within one year		
Bank loans	**2,240,748**	467,385
Amounts falling due 1-2 years		
Bank loans	**–**	2,071,159
	2,240,748	2,538,544

During 2021 the Company obtained a £15 million financing facility with PNC Business Credit which includes a £3 million term loan and a £12 million revolving credit facility. In June 2021 the £3 million term loan was drawn down. The term loan is repayable in monthly instalments followed by a bullet repayment of £2,125,000 in May 2024. No amounts have been drawdown on the revolving credit facility.

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

15. Trade and other payables

	2023 **£**	2022 £
Current		
Other payables	**36,905**	34,678

16. Lease liabilities

	2023 **£**	2022 £
At beginning of year	**6,551,781**	6,819,326
Additions	**980,032**	–
Remeasurement	**123,959**	20,523
Interest expense	**281,657**	195,456
Payments	**(524,282)**	(483,524)
At end of year	**7,413,147**	6,551,781

The Company has lease contracts for land and buildings. The Company does not have any leases where the Company is a lessor. Leases are negotiated individually and are for terms of between 24 months and 25 years. The weighted average remaining term of all leases is disclosed below. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. The land and buildings leases have been discounted at the Company's incremental borrowing rate of 2.5 per cent. over base rate.

Certain of the Company's leases contain rent review clauses that are index linked to RPI. Initially the leases are measured taking into account the RPI at the date of measurement. Subsequently, when the rent review takes place, the lease liability is remeasured.

The Company has identified leases with lease terms of 12 months or less. The Company applies the short-term lease recognition exemption for these leases.

	2023 **£**	2022 £
Maturity analysis of leases		
Current	**382,415**	294,444
1 to 5 years	**636,001**	1,179,889
More than 5 years	**6,394,731**	5,077,449
	7,413,147	6,551,782

	2023 **years**	2022 years
Weighted average remaining term	**17.39**	17.98

17. Deferred tax liability/(asset)

	2023 £	2022 £
At 1 January	**253,344**	(16,290)
Charge to profit or loss	**248,136**	269,634
At 31 December	**501,480**	253,344

The provision for deferred tax is made up as follows:

	2023 £	2022 £
Accelerated capital allowances	**501,480**	382,974
Tax losses carried forward	**–**	(129,630)
	501,480	253,344

18. Reconciliation of financing liabilities

All changes in liabilities arising from financing activities relate to movements in borrowings and lease liabilities and an analysis is provided below:

Borrowings	2023 £	2022 £
At beginning of year	**2,538,544**	2,832,688
Cash flows		
Repayments	**(480,424)**	(413,184)
Non-cash changes		
Interest expense	**182,628**	119,040
At end of year	**2,240,748**	**2,538,544**

Lease liabilities	2023 £	2022 £
At beginning of year	**6,551,781**	6,819,326
Cash flows		
Lease repayments	**(524,282)**	(483,524)
Non-cash changes		
Interest expense	**281,657**	195,456
Remeasurements	**123,959**	20,523
Lease additions	**980,032**	–
At end of year	**7,413,147**	**6,551,781**

19. Guarantees and other commitments

At 31 December 2023 there was a guarantee in place in favour of HM Revenue and Customs for £70,000 (2022: £270,000). At the year end, the Directors consider that there is a capital commitment of £384,561 (2022: £874,218).

20. Ultimate controlling party

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

SHAREHOLDER BENEFITS

We are delighted to offer our shareholders a unique range of benefits available at our winery estate, and online.

Benefits	Silver Shareholders 1 to 1,999 shares	Gold Shareholders 2,000 to 9,999 shares	Platinum Shareholders 10,000+ shares
Early access to new vintages	✓	✓	✓
Free tastings in the Winery shop	✓	✓	✓
Annual 25% off voucher	✓	–	–
Annual guided tour	–	✓ (2 people)	✓ (4 people)
Ongoing 33% off wines	–	✓	✓
Ongoing 33% off Vine to Wine Package	–	✓	✓
Ongoing 25% off food at The Swan, 4 people	–	✓	✓
Early booking access to events at the Chapel Down winery & Invitation to exclusive shareholder events*	–	✓	✓✓
Complimentary standard delivery on online orders**	–	–	✓

* Ticketed events, places subject to availability, details and prices TBC.

** Standard delivery will be £5.95 for all orders under £70.00 for non-Platinum shareholders.

** Express delivery is £6.95 for all shareholders at any order value.

GET IN TOUCH

SHAREHOLDER

For all Shareholder enquiries, please contact
our Shareholder Manager, Rebecca Hirst:
T: 01580 763033 E: shareholder@chapeldown.com

ORDER ONLINE

Order our award-winning sparkling and still wines
on our website: **www.chapeldown.com**

VISIT THE WINERY

Visit our home in the Garden of England.
Open daily all year round.
T: 01580 766111 E: retail@chapeldown.com

OUR DIRECTORS AND ADVISORS

DIRECTORS
J. D. Brooke
A. J. Carter
S. C. Gilliand
M. R. Glenn
R. A. C. Smith
M. A. Spencer
(appointed 29 June 2023)
N. W. Wray
S. A. Wren
S. H. Emeny
(resigned 29 June 2023)

SECRETARY
R. A. C. Smith

COMPANY NUMBER
04362181

REGISTERED OFFICE
Chapel Down Winery
Small Hythe Road
Tenterden
Kent
TN30 7NG

NOMINATED ADVISER
Singer Capital Markets Advisory LLP
One Bartholomew Lane
London
EC2N 2AX

AUDITOR
Crowe U.K. LLP
55 Ludgate Hill
London
EC4M 7JW

SOLICITORS TO THE COMPANY
Cripps LLP
22 Mount Ephraim Road
Tunbridge Wells
Kent
TN4 8AS

PR ADVISERS
H Advisors Maitland
3 Pancras Square
London
N1C 4AG

REGISTRARS
Link Group
10th Floor, Central Square
29 Wellington Street
Leeds
LS1 4DL

COMPANY WEBSITE
chapeldown.com

TENTERDEN
KENT

Chapel Down Group PLC
Chapel Down Winery • Small Hythe • Tenterden • Kent • TN30 7NG
T: 01580 763033   E: sales@chapeldown.com
www.chapeldown.com