

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

UNAUDITED RESULTS FOR THE 6 MONTHS ENDED 30 JUNE 2020

Chapel Down Group Plc is pleased to announce another period of progress in our results, despite the enormous challenges posed by the Covid-19 pandemic, for the 6 months ended 30 June 2020.

Key highlights:

- Wines and spirits
 - Wine revenues up 20% reflecting the growing demand for our award-winning wines despite losing approximately a third of our business in the on licensed trade and our own retail sales.
 - Direct to consumer sales up 473%, offsetting reduced sales in on-trade and own retail outlets due to Covid-19
 - The excellent harvests in 2018 and 2019 have enabled us to increase stocks by 33% to £10.958m (2019: £8.256m) reflecting the substantially higher levels of sparkling stock
 - Further recognition of our premium quality with platinum for our Kit's Coty Coeur de Cuvée 2014 and our Three Graces 2015 and gold for Kit's Coty Blanc de Blancs 2014 and Kit's Coty Chardonnay 2017 at The Decanter World Wine 2020 Awards. This, along with more trophies and Golds in the WineGB awards for both sparkling and still wines so far this year reinforces Chapel Down's position as England's leading producer.
 - Chapel Down Wine and Spirits sales on a continuing basis up 14% to £4.771m (2019: £4.182m).
 - Wines and Spirits gross profit on a continuing basis up 15% at £1.728m (2019: £1.509m
- Beer and Cider
 - Beer and Cider sales, in Curious Drinks Limited, were down 38% to £1.202m (2019: £1.939m) reflecting the overwhelming importance of the on-trade
 - Beer and Cider gross profit (in Curious Drinks Limited) down 59% at £0.280m (2019: £0.680m)
- Overheads excluding depreciation down £0.496m thanks to a swift programme of cost reduction, furloughing of staff and Board and senior management salary cuts
- EBITDA improved by £0.315m* on a continuing basis
- Profit before tax on continuing operations was a loss of (£1.188m) (2019: loss of (£1.139m))
- The Group has a healthy cash position of £5.832m (H1 2019: £5.192m)
- * Excludes the effect of the FRS 102 Section 26 share option accounting adjustment of £35k (2019: £23k) which is a non-cash item.

Chief Executive's Commentary

Given the ongoing Covid-19 pandemic, I am delighted to announce a strong set of half year results. There was an almost complete collapse in the on licensed trade for two thirds of this period, from early March to the end of June.



The on trade is vital for the development of brands and premium brands in particular. With almost one third of our wine and spirits business and nearly 90% of our beer business focused on this channel of trade, it has been a remarkable achievement to have grown our wines and spirits business in total by an amazing 14% through an acceleration of our sales to supermarkets and other off premise retailers and making a step change in our direct sales on-line. We have been further encouraged by this momentum continuing into the second half.

We see online sales as a major growth area and are investing accordingly. We have the considerable benefit of the Chapel Down brand and that has reinforced our belief that now, more than ever, it is crucial that we continue to invest in building strong brands and maintaining a balanced business in the on trade, off trade, on line and direct.

Our sales through our own shop at Tenterden as well as the restaurant and shop at Ashford brewery have obviously also been severely impacted. Both have now re-opened and are trading to expectations. With the brewery, we have been grateful for the continuing support of Ashford Borough Council as we begin to slowly re-emerge from the crisis. The on trade remains extremely fragile and the first half year was especially challenging.

Brands are the only way we can deliver a sustainable long term profitable business for our customers and shareholders. We have built attractive innovative brands with premium positioning through outstanding quality products, well executed marketing, strong distribution and visibility and a team of people dedicated to serving a loyal and growing customer base, many of whom become shareholders, brand advocates and fans. In a challenging environment, we believe those assets are vital to our long term success.

Those that survive and thrive in the current crisis will not compromise on quality and value, or cease their investment in their brands. That is why we believe that despite the current crisis, Chapel Down will continue to grow. World class products, great service and great value whether on-line, in store or on the menu.

As winemakers we have longer term horizons than most. To us, the future looks really exciting. The genesis of a new wine region does not happen often and to be at the forefront of that is very exciting. With higher brand awareness than other English wines, we continue to see strong demand and excellent sell through. We have a very solid asset base of both tangible and intangible assets.

We will be looking to make substantial investments over the coming years in the supply of first class fruit, improving our winemaking efficiency and excellence, driving our commercial and on-line infrastructure, creating smarter and more effective marketing and building the strongest quality brands to be best placed for future growth and any industry consolidation.

Our assets are strong and we have great brands and a truly excellent management team and investors who are supportive of the business. I believe we will come out of the Covid-19 pandemic stronger than we were before and the whole team look forward to the future with relentless enthusiasm.

This enthusiasm is shared by all our stakeholders to whom I would like to extend our thanks.

Thanks for coming on this journey with us.

Thanks for using your shareholder benefits to get great discounts on our wines, beers and spirits and for wholeheartedly supporting our online sales in which we will continue to invest to improve and build the experience.



Thanks for your feedback, energy and support.

Thanks for your faith and belief.

Performance Review

Chapel Down Wines and Spirits sales were up 14% at £4.771m (H1 2019: £4.182m). Wine revenue growth of 20% combined with direct to consumer sales up 473% more than offset the reduced ontrade sales of both wine and spirits due to the Covid-19 pandemic and the reduction in retail sales following the closure of the retail outlet at Tenterden on 20 March in line with the Governments advice to close pubs, theatres and hospitality venues to contain the spread of the virus. The retail outlet at Tenterden partially re-opened on 28 May and the Brewery restaurant re-opened on 4 September.

Our beer and cider sales are largely focused on the on-trade which was shut from 20 March to 4 July. Our shop, restaurant and bar at the state of the art Curious Brewery in Ashford were also closed on 20 March. As a result Beer and Cider sales were down 38% at £1.202m (H1 2019: £1.939m) and margins were significantly impacted by stock returns.

Sales in the combined business on a continuing basis were marginally lower at £5.974m and gross profit was 34% vs 36% in the prior year reflecting the impact of beer stock returns and the closure of the restaurant.

	Wines and Spirits – Continued Operations			Beer and Cider			Combined Businesses		
	H1 2020	H1 2019	%age Variance	H1 2020	H1 2019	%age Variance	H1 2020	H1 2019	%age Variance
	£'000	£'000		£'000	£'000		£'000	£'000	
Turnover	4,771	4,182	+14%	1,202	1,939	-38%	5,974	6,121	-2%
Gross profit	1,728	1,509	+15%	280	680	-59%	2,008	2,189	-8%
Gross profit %age	36%	36%		23%	35%		34%	36%	

We made a conscious decision to reduce spend across the business. This along with the furloughing of staff and salary cuts of 20-40% taken by the Board, executive and senior managers resulted in overhead expenditure down £0.496m on a continuing basis. As a consequence, the total business reported an EBITDA loss on a continuing basis of (£0.335m) compared with (£0.650)* in the 6 months to 30 June 2019.

The loss before tax on continuing operations was a loss of (£1.188m) (2019: loss of (£1.139m)) and the loss before tax including discontinued operations was (£1.272m) (2019: loss of (£1.772m)).

Stocks increased by 33% to £10.958m (H1 2019: £8.256m) reflecting substantially higher sparkling stock levels following the excellent 2018 and 2019 harvests.

The Group has a healthy cash position of £5.832m (H1 2019: £5.192m) with net debt of £6.452m (H1 2019: £1.259m).



The Group's net tangible assets were £30.088m (H1 2019: £33.505m) and represent 99.7% of total equity (H1 2019: 99.6%). Net tangible assets per share were £0.21 per share (2018 H1: £0.23 per share).

<u>Outlook</u>

Today's environment is tough. We know we need to be fit to survive and thrive.

Predicting the future in today's environment is impossible. However, our best defence is excellence in our products, strength in our brand and quality of our people. We continue to ensure we invest in all three.

The quality of the grapes for our wine has never been better, and we see another high quality and high volume harvest. Our brand has never been stronger and we continue to invest with our partners to build awareness as Englands leading winemaker. Our people continue to give their best despite difficult trading conditions and we see that in our performance. On behalf of all shareholders, I'd like to thank them for their continued support.

Frazer Thompson Chief Executive Officer

*Excludes the effect of the FRS 102 Section 26 share option accounting adjustment of £35k (H1 2019: £23k) which is a non-cash item. Refer to note 1 "Basis of preparation/accounting policies" for further information.

Contact

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The information communicated in this announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No. 596/2.



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30TH JUNE 2020

	Unaudited	Unaudited	Unaudited Total	المعانات مسال	المحدد المحدد المحدد	Unaudited Total	الم معانات ما	Audited	Audited Total
				Unaudited	Unaudited		Audited		
	Continuing	Discontinued	2020	Continuing	Discontinued	2019	Continuing	Discontinued	2019
	Operations	Operations	£	Operations	Operations	£	Operations	Operations	±
	01.01.20 to	01.01.20 to		01.01.19 to	01.01.19 to		01.01.19 to	01.01.19 to	
	30.06.20	30.06.20		30.06.19	30.06.19		31.12.19	31.12.19	
	1	2	3	4	5	6	7	8	9
Turnover	5,973,791	26,767	6,000,558	6,121,004	622,592	6,743,596	14,800,569	1,311,368	16,111,937
Cost of sales	(3,965,988)	(5,412)	(3,971,400)	(3,932,404)	(158,421)	(4,090,825)	(9,449,449)	(303,288)	(9,752,737)
Gross profit	2,007,803	21,355	2,029,158	2,188,601	464,170	2,652,771	5,351,120	1,008,080	6,359,200
Administrative expenses	(2,987,070)	(105,122)	(3,092,192)	(3,230,498)	(1,097,158)	(4,327,656)	(7,205,832)	(1,952,361)	(9,158,193)
Share based payment charge	(34,548)	-	(34,548)	(23,247)	-	(23,247)	(42,532)	0	(42,532)
Exceptional administrative expenses	-	-	-	-	-	-	-	(1,247,237)	(1,247,237)
Operating (loss)/profit	(1,013,815)	(83,767)	(1,097,582)	(1,065,144)	(632,988)	(1,698,132)	(1,897,244)	(2,191,518)	(4,088,762)
Interest receivable and similar income	2,767	-	2,767	19,151	-	19,151	22,581	-	22,581
Interest payable and expenses	(177,015)	-	(177,015)	(92,551)	-	(92,551)	(218,910)	-	(218,910)
(Loss)/profit before tax	(1,188,063)	(83,767)	(1,271,830)	(1,138,544)	(632,988)	(1,771,532)	(2,093,573)	(2,191,518)	(4,285,091)
Tax on (loss)/profit	-	-	-	-	-	-	157,906	-	157,906
(Loss)/profit for the financial year	(1,188,063)	(83,767)	(1,271,830)	(1,138,544)	(632,988)	(1,771,532)	(1,935,667)	(2,191,518)	(4,127,185)
	=======	=======	=======	=======	=======	=======	=======	=======	=======
Loss for the year attributable to:									



Non-controlling interests	(666,937)	_	(666,937)	(564,779)	_	(564,779)	(1,477,053)		(1,477,053)
		(02.767)			/ (22,000)			(2.101.510)	
Owners of the parent company	(521,126)	(83,767)	(604,893)	(573,765)	(632,988)	(1,206,753)	(458,614)	(2,191,518)	(2,650,132)
	(1,188,063)	(83,767)	(1,271,830)	(1,138,544)	(632,988)	(1,771,532)	(1,935,667)	(2,191,518)	(4,127,185)
Adjusted performance measures									
Adjusted EBIDTA									
Operating (loss)/profit	(1,013,815)	(83,767)	(1,097,582)	(1,065,144)	(632,988)	(1,698,132)	(1,897,244)	(2,191,518)	(4,088,762)
Share based payment	34,548	-	34,548	23,247	-	23,247	42,532	-	42,532
Depreciation and amortisation	644,489	-	644,489	392,293	250,886	643,179	993,138	569,808	1,562,946
Exceptional costs	-	-	-	-	-	-	-	1,247,237	1,247,237
EBITDA excluding share based payment	(334,778)	(83,766)	(418,545)	(649,604)	(382,102)	(1,031,706)	(861,574)	(374,473)	(1,236,047)
	=======	=======	======	======	=======	======	=======	=======	=======
(Loss)/Profit per share – diluted (pence)			(0.40)			(0.840)			(1.85)

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

Notes:

- 1. Represents the consolidated unaudited results for Chapel Down Group Company, English Wines Plc and Curious Drinks Limited for the period 01 January 2020 to 30 June 2020, excluding the Gin Works restaurant and bar for the period 01 January 2020 to 30 June 2020 which is reported separately under discontinued operations
- 2. Represents the discontinued operations being the Gin Works Restaurant & Bar for the period 01 January 2020 to 30 June 2020
- 3. Represents the consolidated unaudited results for Chapel Down Group Company, English Wines Plc and Curious Drinks Limited for the period 01 January 2020 to 30 June 2020



- 4. Represents the consolidated unaudited results for Chapel Down Group Company, English Wines Plc and Curious Drinks Limited for the period 01 January 2019 to 30 June 2019, excluding the Gin Works restaurant and bar for the period 01 January 2019 to 30 June 2019 which is reported separately under discontinued operations
- 5. Represents the discontinued operations being the Gin Works Restaurant & Bar for the period 01 January 2019 to 30 June 2019
- 6. Represents the consolidated unaudited results for Chapel Down Group Company, English Wines Plc and Curious Drinks Limited for the period 01 January 2019 to 30 June 2019
- 7. Represents the consolidated audited results for Chapel Down Group Company, English Wines Plc and Curious Drinks Limited for the period 01 January 2019 to 31 December 2019, excluding the Gin Works restaurant and bar for the period 01 January 2019 to 31 December 2019 which is reported separately under discontinued operations
- 8. Represents the discontinued operations being the Gin Works Restaurant & Bar for the period 01 January 2019 to 31 December 2019
- 9. Represents the consolidated audited results for Chapel Down Group Company, English Wines Plc and Curious Drinks Limited for the period 01 January 2019 to 31

 December 2019



CONSOLIDATED BALANCE SHEET FOR THE 6 MONTHS ENDED ${\bf 30}^{\text{TH}}$ JUNE 2020

	Unaudited As At	Unaudited As At	Audited As At
	30.06.2020	30.06.2019	31.12.2019
	£	£	£
Fixed assets			
Intangible assets	99,879	119,408	108,712
Tangible assets	27,510,095	27,367,075	27,578,539
	27,609,974	27,486,483	27,687,251
Current assets			
Stocks	10,957,758	8,256,441	10,719,361
Debtors due within one year	2,838,368	4,029,397	3,368,387
Cash at bank and in hand	5,832,489	5,191,940	2,473,457
	19,628,615	17,477,778	16,561,205
Creditors: amounts falling due within one	(4,668,534)	(11,102,485)	(12,755,963)
year			
Net current assets	14,960,081	6,375,293	3,805,242
Total assets less current liabilities	42,570,055	33,861,776	31,492,493
Creditors: amounts falling due after more	(12,283,175)	(12,638)	(17,934)
than one year		. , ,	
Provisions for liabilities			
Deferred tax	(98,804)	(224,778)	(111,527)
Net assets	30,188,076	33,624,360	31,363,032
	=======	=======	=======
Capital and reserves			
Called up share capital	7,225,712	7,205,379	7,211,129
Share premium account	26,153,471	26,036,438	26,105,728
Capital redemption reserve	400	20,030,438	400
	1,048,074	1,086,706	1,067,390
Revaluation reserve			
Non-controlling Interests	(2,398,914)	(819,703)	(1,731,977)
Profit and loss account	(1,840,667)	115,540	(1,289,638)
	30,188,076	33,624,360	31,363,032
	30,188,076	33,624,360	31,363,032

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED $\mathbf{30}^{\text{TH}}$ JUNE 2020



	Unaudited As At	Unaudited As At	Audited As At
	30.06.2020	30.06.2019	31.12.2019
	£	£	£
Cash flows from operating activities			
(Loss)/profit for the financial year	(1,271,830)	(1,771,532)	(4,127,185)
Adjustments for:			
Amortisation of intangible assets	8,833	6,972	17,668
Depreciation of tangible fixed assets	635,656	636,207	1,545,278
Fixed asset impairment	-	-	1,347,564
Loss on disposal of tangible assets	-	526	2,011
Share based payments	34,548	23,247	42,532
Interest payable	177,015	92,551	218,910
Interest receivable	(2,767)	(19,151)	(22,581)
Taxation charge	-	-	(157,906)
(Increase) in stocks	(238,397)	(576,739)	(3,039,659)
Decrease/(Increase) in debtors	530,019	(418,639)	242,371
(Decrease)/Increase in creditors	(318,086)	714,841	1,153,084
Corporation tax (paid)	-	-	(85,214)
Net cash generated from operating activities	(445,009)	(1,311,717)	(2,863,127)
Cash flows from investing activities			
Purchase of intangible assets	-	-	<u> </u>
Purchase of tangible fixed assets	(567,212)	(9,488,268)	(11,981,602)
Sale of tangible fixed assets	-	-	23,750
Interest received	2,767	19,151	22,581
Net cash from investing activities	(564,445)	(9,469,117)	(11,935,271)
Cash flows from financing activities			
Issue of shares	62,326	355,415	430,855
New secured bank loans	4,483,175	2,880,000	4,230,000
Repayment of bank loans	-	-	-
Interest paid	(177,015)	(92,551	(218,910)
Net cash used in financing activities	4,368,486	3,142,864	4,441,945
Net (decrease)/increase in cash and cash equivalents	3,359,032	(7,637,970)	(10,356,453)
Cash and cash equivalents at beginning of year	2,473,457	12,829,910	12,829,910
Cash and cash equivalents at the end of year	5,832,489	5,191,940	2,473,457
	=======	=======	=======
Cash and cash equivalents at the end of year comprise:	_		_
Cash at bank and in hand	5,832,489	5,191,940	2,473,457
	F 000 400		2 472 577
	5,832,489	5,191,940	2,473,457
	=======	=======	=======



1. BASIS OF PREPARATION/ACCOUNTING POLICIES

The Company's report for the six months ended 30 June 2020 was authorised for issue by the directors on 30 September 2020. The financial information does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 31 December 2019, which was prepared in accordance with the Company's reporting standard (FRS102) that was in effect at that time.

The accounting standard requires the Company to restate its profit to attribute a notional cost of non-cash share option agreements to the business. After adopting the standard, the accounts show a decrease in profit of £34,548 (2019: £23,247) resulting in a Group pre-tax loss of £1,271,830 (2019: pre-tax loss of £1,771,532).

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

The statutory accounts for the year ended 31 December 2019, prepared under UK GAAP, have been reported on by the Company's auditors, received an unqualified audit report and have been filed with the registrar of companies at Companies House. The unaudited interim financial statements for the six months ended 30 June 2020 and 30 June 2019 have been drawn up using accounting policies and presentation adopted in the Company's full financial statements for the year ending 31 December 2019 being FRS102.

2. BALANCE SHEET REVIEW

The net asset value of the Company as at 30th June 2020 was £30,188,077, which includes:

- Fixed assets of £27,609,974 includes the 2015 market value of the sites at Tenterden and Kit's Coty as well as the vineyard development expenditure at Kit's Coty and the Boxley vineyards which is capitalised at cost.
- £10,957,758 of stock is valued at cost being the lower of cost or net realisable value.

3. PROFIT PER SHARE

The calculation of the loss per share for the six months ended 30 June 2020 is based on the loss for the period of £604,893 and the weighted average number of shares in issue during the period of 144,206,960.

4. DISTRIBUTION OF THE INTERIM STATEMENT

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