

Gusbourne PLC

Report and financial statements
for the year ended 31 December 2020

Company Number 08225727

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Strategic Report

Highlights

- Net revenue* up by 28% to £2.11m (2019: £1.65m)
- A five-year CAGR (compound annual growth rate) of 35% in net revenue (2019: 31%)
- Shift in distribution channel performance with Direct-to-Consumer sales (including online sales) representing 30% of net wine revenue, up from 20% in 2019 and International sales representing 33%, up from 19% in 2019. UK Trade sales at 37%, down from 61% in 2019
- Increase in gross profit margin to 58.3% from 55.5% in 2019
- Ongoing success in international wine competitions, receiving a further 40 medals in 2020 including fourteen gold medals, four trophies, and the Judges Selection Medal in the prestigious Teksom awards in the United States

* Net revenue represents Revenue after deducting excise duties

Chairman's statement

It would be impossible to reflect on our performance in 2020 without talking about the tragedy of COVID-19, a pandemic which also brought much of the hospitality industry to its knees and forced so many F&B businesses to face the most challenging trading conditions in modern times.

We were two months into the financial year when it became clear the ramifications of Coronavirus were going to be serious, and barely a month later before every hotel, restaurant and non-essential retailer in the UK had been ordered to close its doors, and we were under the same intense pressure as every other company to contain costs and furlough staff. We responded quickly to focus on Direct to Consumer sales, expanded our reach in the Off-Trade including the placement of our first exclusive product with a premium supermarket chain, and increased our International sales.

Our strategy delivered net revenues for the year of £2,109,000 (2019: £1,653,000), an increase of 28% (2019: 31%) over the prior year, as we expanded our customer base both at home and overseas, and won over 40 industry awards in national and international competitions against some of the finest wine producers in the world. Other international highlights included significant export success in the Nordics, increased demand and recognition across Asia with plans to invest more into the region, and continued progress in the US which remains one of the largest opportunities ahead of us but where we are garnering increased recognition including winning the Judges Selection Medal in the prestigious Texsom awards.

Mid-year we entered into a £10.5 million asset-based lending facility with PNC Financial Services UK Ltd ("PNC"). The new facility has been used to provide additional liquidity and long-term working capital finance for the Company at a competitive rate. We will continue to work with PNC to ensure the Company makes best use of this facility, particularly as the value of our assets grow in line with expectations after another successful harvest. We expect to maintain our robust investment strategy into our vineyards, property, equipment and of course wine inventory including several new releases, some of which have already been launched to notable critical acclaim.

I am particularly pleased with the way the Company strove to support our On-Trade clients throughout the year, many of whom, like us, engaged with their customers in new ways including enhanced social media campaigns, direct marketing, and valued-added home delivery rather than in a face-to-face environment through which so many of our businesses ordinarily thrive. For Gusbourne, this resulted in a significant increase in Direct to Consumer (DTC) Sales, now representing 30% of net wine revenue compared to 20% in 2019. We plan to maintain our focus on DTC going forward as spending habits continue to reward businesses prepared to invest and innovate in this space.

We also took the opportunity to increase capacity at The Nest – the Company's retail, tour and wine tasting operation at our headquarters in Appledore, Kent – which will continue to be an essential means for us to connect with new visitors and customers, post lockdown and thereafter. The Company's Customer Experience team have worked tirelessly to demonstrate the integrity and importance of The Nest as part of our long-term growth, and I am in no doubt that we should strive to replicate this approach at our other vineyards in West Sussex when it is prudent to do so. There's also more we can

Chairman's statement continued

do to make certain Gusbourne provides the most luxurious visitor experience in the sector, and we will continue to explore ways of expanding the breadth and depth of our cellar door offerings in the years ahead.

As we emerge from a third UK lockdown, the Company is already seeing a return to more normalised trading conditions with DTC sales and future bookings for The Nest currently trading ahead of expectations.

Most importantly, I cannot tell you how proud I am of all our employees, not least Gusbourne's CEO and Chief Winemaker, Charlie Holland, who, along with the Executive Team, faced a testing year with unfailing calm and relentless application to deliver an outstanding set of financial results whilst also developing new products, distribution channels, and existing business revenue lines. My gratitude similarly extends to our loyal shareholders and wider board of directors who stood shoulder-to-shoulder with us throughout the pandemic, and of course to our growing army of customers who remain our most valued ambassadors worldwide.

Jim Ormonde
Chairman

Chief Executive's review

In spite of the challenges and disruption caused by the onset of the COVID-19 pandemic I am pleased to report that 2020 has been another year of successful performance for Gusbourne. Net revenues are up 28% on the prior year (2019: 31%) as we continue to widen our distribution channels and grow the Gusbourne brand both in the UK and overseas. These achievements are a testament to the resilience and tenacity of the Gusbourne team who have demonstrated great agility in adapting to a quickly changing environment.

The continued growth of our Direct to Consumer (DTC) sales has been particularly pleasing, representing 30% (2019: 20%) of the Group's net wine revenue. Online sales grew by c.400% (2019: c. 200%) reflecting our ongoing investment in digital marketing through the creation of rich and engaging content, compelling wine offers and new and exciting product releases. We plan to invest further in our online and digital presence in the coming years.

2020 marked our third full year of operations at The Nest, which provides Gusbourne's cellar door sales facilities, tours and wine tasting operations. Situated amongst our vineyards and winery operations in Kent this facility allows us to fully engage with our customers, encouraging them to enjoy the vineyards, visit the winery and taste our wines in a beautiful setting. We continue to improve and expand our offering, providing visitors with a unique and unforgettable experience.

International sales have continued to flourish representing 33% (2019: 19%) of net wine revenue. Gusbourne is now distributed to 21 countries around the world as we grow our global brand. Continued investment in sales and marketing has enabled us to develop and grow existing markets and expand into exciting new territories with significant growth potential.

Activities

Gusbourne's vintage English sparkling wines are positioned at the top tier of the English sparkling wine market and we are committed to maintaining that premium position, which reflects the quality of our products and their luxury status. We are one of England's most awarded producers and continue to win prestigious awards at some of the world's most discerning wine competitions.

The Gusbourne business was founded in 2004 by Andrew Weeber with the first vineyard plantings at Appledore in Kent. The first wines were released in 2010 to critical acclaim. Following additional vineyard plantings in 2013 and 2015 in both Kent and West Sussex, Gusbourne now has 231 acres of mature vineyards. The Nest visitor centre was opened next to the winery in Appledore in 2017, providing tours, tastings and a direct outlet for our wines.

Right from the beginning, Gusbourne's intention has always been to produce the finest English sparkling wines. Starting with carefully chosen sites, we use best practice in establishing and maintaining the vineyards and conduct green harvests to ensure we achieve the highest quality grapes for each vintage. A quest for excellence is at the heart of everything we do. We blind taste hundreds of samples before finalising our blends and even after the wines are bottled, they spend extended time on their lees to add

Chief Executive's review continued

depth and flavour. Once disgorged, extra cork ageing further enhances complexity. Our winemaking process remains traditional, but one that is open to innovation where appropriate. It takes four years to bring a vineyard into full production and a further four years to transform those grapes into Gusbourne's premium sparkling wine.

We also produce a limited quantity of premium vintage English still wines which have also won a number of prestigious international awards.

Recent awards

We have continued our success in major wine competitions winning over 46 medals at national and international competitions, where we are judged against some of the finest wines from around the world. Awards received during the year include:

- 4 gold medals and trophies for 'Best still red wine' and 'Best still rosé wine' at the UK-based Wine GB Awards in August 2020
- 2 gold medals and 'Best in Class' at the London-based Champagne and Sparkling Wine World Championships in December 2020
- A Platinum medal and 'Judges Selection Medal' awarded the prestigious Texsom based in the US held in February 2020
- 2 gold medals at the Japan Wine Awards in Tokyo held in February 2020
- A gold medal at the Global Pinot Noir Masters held in London during May 2020
- A gold medal at the Asian Sparkling Masters in Hong Kong held in June 2020
- A gold medal at the Global Sparkling Wine Masters held in London during June 2020
- A gold medal at the Global Rosé Masters held in London during June 2020

Group vision and growth strategy

The Group's vision is to continue to produce premium quality vintage wines from grapes grown in its own vineyards and to promote Gusbourne as a luxury brand which is reflected by the premium quality and premium market positioning of its products.

The Group's growth strategy is to:

- Support the continuing strong growth in DTC sales with online sales and marketing investment, and offline with planned further investment in Gusbourne's cellar door operations in Kent and potential new investment in a West Sussex cellar door operation. These operations enable us to meet our customers in person and showcase our operations and products on site, whilst promoting a closer and more direct relationship with our customers which is a strategic objective of our growth strategy.

- Invest in the further growth of UK Trade and International sales
- Maintain and further develop the Gusbourne's brands luxury status and ensure that the Group's premium quality and premium market positioning of its products are maintained as a key part of this growth strategy
- Continue to innovate in all areas of the business including planned new product development in respect of Gusbourne's vintage premium wines

2020 Harvest

The 2020 harvest at Gusbourne has continued the precedent set in recent years, with yet another vintage of outstanding high quality and record quantity. Conditions throughout the growing season were generally good, in particular during flowering in June and the critical ripening months of July and August.

The 2020 harvest started in September and produced near perfect ripeness with excellent balance between natural sugar levels and acidity across all three grape varieties – Chardonnay, Pinot Noir and Meunier.

In accordance with our strict parameters to only produce the best wines, rigorous selection of the best fruit from our self-imposed detailed-focussed techniques in the vineyards, the team began choosing the best quality fruit during the green harvest towards the later part of the growing season. This was followed by rigorously selecting only the finest fruit from each vine during harvest, which ultimately ensured that all of the grapes, which were chosen for pressing, were suitably rich, ripe and pure. Desired levels of natural sugar and acidity were present across all three of the grape varieties that Gusbourne grow – Chardonnay, Pinot Noir and Pinot Meunier. Despite less favourable weather conditions towards the end of the year the team were able to pick a healthy and ripe crop.

The resulting wine production has added further to our inventory levels for sale in future years. Early indications of the resulting wine quality are high.

Results for the year

Net revenue for the year amounted to £2,109,000 (2019: £1,653,000), an increase of 28% over the prior year. This reflects continuing like for like growth in the sale of Gusbourne wines since 2013 and a 5-year compound annual growth rate of 35%.

Gross profit represents net revenue less cost of sales (cost of wine sold and direct selling costs). Over the last 5 years the gross profit margin has increased from 31% in 2015 to 58% in 2020 (2019: 56%) reflecting economies of scale in respect of the Group's increased production volumes and a shift in distribution mix more recently to DTC sales.

It should be noted that the cost of sales relating to the wine sold in the current year is primarily the cost of wine produced from the 2015 and 2016 harvests when production levels were lower, and the benefit of the production economies of scale at gross margin level will continue for some time to trail current year sales.

Chief Executive's review continued

Operating expenses of £3,198,000 (2019: £2,902,000), included depreciation of £647,000 (2019: £699,000) as well as planned increased expenditure on sales and marketing costs of £1,478,000 reflecting continuing investment in the growth of the business and its sales beyond the current financial year. Sales and marketing costs, which are largely discretionary, continue to represent a relatively high proportion of net revenues during this planned growth phase of the business.

Adjusted EBITDA (profit from operations/(loss from operations) before fair value movement in biological produce, interest, tax, depreciation and amortisation) for the year was a loss of £1,321,000 (2019: £1,285,000). The operating loss for the year after depreciation and amortisation was £2,189,000 (2019: £2,156,000). The loss before tax was £3,066,000 (2019: £2,601,000) after net finance costs of £877,000 (2019: £445,000).

These losses continue to be in line with expectations and the long-term growth strategy of the Group which is based on continuing sales growth of Gusbourne wines, supported by sales and marketing expenditure and increasing wine stocks whilst maintaining Gusbourne's premium quality and premium market positioning. This is planned to provide a positive cashflow during the course of the next few years.

Balance Sheet

The Group's balance sheet reflects ongoing investment in the growth of the Group's business.

The production of premium quality wine from new vineyards is, by its very nature, a long-term project of at least ten years. It takes around two years to select and prepare optimal vineyard sites and order the appropriate vines for planting. It takes a further four years from planting to bring a vineyard into full production and a further four years to transform these grapes into Gusbourne's premium sparkling wine. This requires capital expenditure on vineyards and related property, plant and equipment as well as significant working capital to support inventories over the long production cycle.

Total assets at 31 December 2020 of £24,294,000 (2019: £23,507,000) include freehold land and buildings of £6,263,000 (2019: £6,383,000), 231 acres of mature vineyards at £3,004,000 (2019: £3,144,000), plant, machinery and motor vehicles of £1,476,000 (2019: £1,604,000) and right of use assets of £2,022,000 (2019: £2,068,000). Note these are carried at cost, less depreciation where applicable, and do not reflect any potential upside from valuation adjustments.

The carrying value of inventories of wine stocks at 31 December 2020 at cost amounted to £9,325,000 (2019: £7,463,000). These inventories represent wine in its various stages of production from wine in tank from the last harvest to the finished products which take around four years to produce from the time of harvest. These additional four years reflect the time it takes to transform our high quality grapes into Gusbourne's premium sparkling wine. An important point to note is that these wine inventories already include the wine (at its various stages of production) to support sales planned for the next four years. The anticipated underlying surplus of net realisable value over the cost of these wine inventories, which is

not reflected in these accounts, will become an increasingly significant factor of the Group's asset base as these inventories continue to grow.

Intangible assets of £1,007,000 (2019: £1,007,000) arose on the acquisition of the Gusbourne Estate business on 27 September 2013. Intangible assets, which includes the Gusbourne brand itself, remain unimpaired at their historical amount and in accordance with the relevant accounting standards. No account has been taken with regards to any potential fair value uplift that may be appropriate.

Financing

The Group's activities are financed by shareholder's equity and debt which comprises loans, lease liabilities, other borrowings and deep discount bonds. At 31 December 2020 debt amounted to £14,397,000 (2019: £10,561,000). Excluding the impact of IFRS 16 and the resulting right of use asset and lease liability, debt amounted to £12,289,000 (2019: £8,405,000). Details of the initial and continuing recognition of leases under IFRS 16 are shown in the accounting policy note on pages 66 and 67.

On 1 June 2020, Gusbourne announced that its subsidiary Gusbourne Estate Limited entered into an agreement with PNC Business Credit, a trading style of PNC Financial Services UK Ltd, for up to £10.5m of asset-based lending facilities (the "PNC Facilities"). The PNC Facilities are primarily used to finance the Group's working capital, which consists largely of inventories.

The PNC Facilities are provided on a revolving basis over a minimum period of 5 years and allow flexible drawdown and repayments in line with the Company's working capital requirements. The interest rate is at the annual rate of 3 per cent over the Bank of England Base Rate. The facilities are secured by way of first priority charges over the Company's inventory, receivables and freehold property as well as an all assets debenture.

On completion on 1 June 2020, approximately £4.6m of the PNC Facilities was drawn down by Gusbourne Estate Limited with approximately £2.1m being used to repay the existing secured Barclays bank facilities in full, £1.3m was used to part repay the existing short term loans to Franove Holdings Limited and a company controlled by Lord Ashcroft KCMG PC. The balance of £1.2m was used for working capital. Following further drawdowns during the year, the group had £3.7m of unused facilities at 31 December 2020.

Of the £1.3m drawdown at completion to part repay existing short-term loans, £0.8m was used to part repay a short-term loan of £1.25m received on 23 December 2019 from Franove Holdings Limited. £0.5m was used to part repay a short-term loan of £2.0m received on 31 May 2019 from a company controlled by Lord Ashcroft.

Following these repayments Franove Holdings Limited agreed to extend the repayment date of its outstanding loan of £0.5m to 15 August 2021, at the same 15% rate of interest, with the loan becoming secured behind PNC at the same ranking as the existing outstanding deep discount bonds issued by the

Chief Executive's review continued

Company. Gusbourne Estate Limited has also agreed with Franove that in the event it seeks to repay its loans (excluding its PNC facilities) further, the repayment of the Franove Holdings Limited loan will take priority.

The remaining Lord Ashcroft loan of £1.7m was refinanced, by a company controlled by him, with a new deep discount bond maturing on 15 August 2021 and with a coupon of 15% per annum rolled quarterly and secured behind PNC at the same ranking as the existing outstanding bonds issued by the Company.

Going concern

The directors have considered the cash available from committed facilities to continue operations for at least 12 months from the date these financial statements were approved and in addition, whether any of its key covenants may be breached during this period in assessing whether the going concern assumption is appropriate.

In coming to their conclusion, the directors have considered the Group's profit and cash flow plans for the coming period, and in the light of the residual uncertainty due to COVID-19 have run various downside "stress test" scenarios. These scenarios assess the continuing potential impact of COVID-19 on the Group over the next 12 months and in particular on the Group's sales through its key distribution channels. These stress tests indicate the Group can withstand any ongoing adverse impact on revenues and cashflow for at least the next 12 months but only if the short-term loan and deep discounted bonds are refinanced or deferred.

While initial forecasts are based on board-approved budgets, the Group has considered a scenario in which forecast revenues are restricted to those achieved in the year ended 31 December 2020 when the business was impacted by Covid-19 on UK on-trade and off-trade sales channels. Under this scenario the directors have modelled the impact certain cost mitigation actions, in relation to variable and discretionary costs and believe that there are sufficient cost savings which could be achieved from sales and marketing, administrative, winery and vineyard costs to enable the Group to continue as a going concern for the next 12 months.

In these stress test scenarios, the directors assessed the Group's potential cash requirements together with the availability of undrawn funds from the Group's £10.5m asset-based lending facility, of which £2.4m is undrawn on the date on which these financial statements were approved. The stress test scenarios show that the Group does not require more funds than the current undrawn facilities, assuming that the short-term loan and deep discounted bonds will be refinanced or deferred. Furthermore, the scenarios that the Group remains in compliance with its key monthly covenant tests which commenced on 31 December 2020.

Under these significant stress test scenarios, the Group could withstand a material and prolonged adverse impact on revenues, in line with those in 2020 and continue to operate within the available lending facilities. In each of the stress test scenarios, the directors have assumed that the short-term loan and deep discounted bonds will be refinanced or deferred.

The directors have also assessed the ability of the Group to repay its short-term loan and deep discounted bonds (£0.5m and £5.1m respectively at 31 December 2020) which are due for repayment on 15 August 2021. The total amount due on 15 August 2021 to satisfy these obligations will amount to £6.1m. Of this amount £1.5m is due to directors of the Group, £3.8m is due to the major shareholder of the Group and £0.8m due to third parties. The directors believe that the Group will be able to raise further equity and/or debt funds to repay or refinance this short term debt as well as providing additional funds for the further development of the Group. The Group has shown an ability in the past to raise capital and/or debt funds, and it believes that it will be able to raise such funds in the future. Furthermore, those directors and the major shareholder who hold over 85% of this short term debt obligation have confirmed in writing in June 2021 that they do not intend to call their debt should doing so cause the Group to be unable to satisfy its creditors as they fall due.

However, there is no guarantee that the Group will be able to raise further equity and/or debt funds to repay or refinance this short term debt. The Group does not currently have sufficient cash or other financing available to settle this obligation and has no contractual agreement that would enable the Group to refinance or defer payment of the short-term loan and deep discounted bonds.

This condition indicates the existence of a material uncertainty as at the date of approval of these financial statements, which may cast significant doubt on the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would be required should the going concern basis of preparation no longer be appropriate.

Current trading and outlook

The Company experienced a slower than normal start to trading in the first three months of the year as a result of ongoing COVID-19 lockdown restrictions on UK trade sales in particular. However it is pleasing to note that our continuing growth in Direct to Consumer and International sales have continued to mitigate this impact on overall sales. With the gradual reopening of hospitality, the Group remains confident about future sales growth and remains excited about its future prospects as the business continues to focus on its strategic growth plans. The achievement of the Group's long-term growth strategy will depend on the raising of further equity and/or debt funds to achieve those goals.

On the production side, both vineyard and winery operations continued to work through the various lockdowns with appropriate safety protocols. The Group furloughed a number of staff members, particularly in the sales function and various steps were taken to reduce costs. We are pleased to report that all staff have now returned from furlough and are now focussed on delivering the Group's business targets.

Finally, I would like to thank all our dedicated and hard working employees for their outstanding response to the challenges over the past year. Their energy, focus, and creativity has been impressive to witness and provides me with great confidence for the future.

Chief Executive's review continued

Principal risks and uncertainties

Details of these are shown on pages 17 and 18.

Charlie Holland
Chief Executive

Key performance indicators

Net revenue and adjusted EBITDA - 5 year summary

Years ended 31 December	2016 £'000	2017 £'000	2018 £'000	2019 £'000	2020 £'000
Net revenue*	640	998	1,261	1,653	2,109
Cost of sales	(423)	(381)	(560)	(735)	(879)
Gross profit	217	617	701	918	1,230
Sales and marketing expenses	(345)	(560)	(914)	(1,389)	(1,478)
Administration expenses **	(683)	(720)	(694)	(814)	(1,073)
Adjusted EBITDA (loss)/profit***	(811)	(663)	(907)	(1,285)	(1,321)
Fair value movement in biological produce	9	(27)	125	(172)	(221)
EBITDA****	(802)	(690)	(782)	(1,457)	(1,542)
Gross profit %	33.9%	61.8%	55.6%	55.5%	58.3%
Net revenue annual growth %	35.3%	55.9%	26.4%	31.1%	27.6%
Net revenue 5 year CAGR				30.7%	34.8%

* Net revenue represents Revenue after deducting excise duties

** Excluding depreciation

** Adjusted EBITDA means profit from operations/(loss from operations) before fair value movement in biological produce, interest, tax, depreciation and amortisation

**** EBITDA means profit from operations/(loss from operations) before interest, tax, depreciation and amortisation.

Net revenue by distribution channel - 5 year summary

Years ended 31 December	2016 £'000	2017 £'000	2018 £'000	2019 £'000	2020 £'000
Net revenue in £'000					
Direct to Consumer (DTC)	55	74	144	299	586
UK Trade	498	607	827	934	721
International	87	251	179	292	634
Net wine sales	640	932	1,150	1,525	1,941
Other Income	-	66	111	128	168
Total net revenue	640	998	1,261	1,653	2,109
Percentages of net wine sales					
Direct to Consumer (DTC)	8.6%	7.9%	12.5%	19.6%	30.2%
UK Trade	77.8%	65.1%	71.9%	61.2%	37.1%
International	13.6%	26.9%	15.6%	19.1%	32.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Balance Sheet assets* - 5 year summary

Years ended 31 December	2016 £'000	2017 £'000	2018 £'000	2019 £'000	2020 £'000
Assets					
Freehold land and buildings	5,543	6,539	6,488	6,383	6,263
Right of use assets**	-	-	-	2,068	2,022
Vineyards	3,256	3,260	3,289	3,144	3,004
Plant, machinery and other equipment	1,131	1,431	1,757	1,636	1,504
Other receivables			97	90	38
Total non current assets	9,930	11,230	11,631	13,321	12,831
Inventories	2,247	3,484	5,282	7,463	9,325
Trade and other receivables	314	281	496	707	869
Trade and other payables	(252)	(358)	(483)	(752)	(769)
Working capital	2,309	3,407	5,295	7,418	9,425
Total operating assets	12,239	14,637	16,926	20,739	22,256
Cash	1,123	1,464	1,311	1,009	262
Goodwill	1,007	1,007	1,007	1,007	1,007
Total assets	14,369	17,108	19,244	22,755	23,525

* Net of trade and other payables

** per IFRS 16

Balance Sheet liabilities and equity*

Years ended 31 December	2016 £'000	2017 £'000	2018 £'000	2019 £'000	2020 £'000
Debt					
PNC Business Credit (Asset finance facilities)	-	-	-	-	6,613
Other bank debt	2,342	2,256	2,173	2,058	-
Deep discount bonds	4,195	2,522	2,761	3,001	5,132
Short term debt	-	-	-	3,379	544
Lease liabilities**	-	-	-	2,123	2,108
Total debt	6,537	4,778	4,934	10,561	14,397
Equity	7,832	12,330	14,310	12,194	9,128
Total liabilities and equity	14,369	17,108	19,244	22,755	23,525

* Excluding trade and other payables

** per IFRS 16

Principal risks and uncertainties

Financing

The Group plans to raise further equity and/or debt funds in the future to fund the Group's growth strategy over the coming years, through the issue of Gusbourne PLC shares and/or the raising of debt finance. Such funding may not be achieved, and additional shares may have a dilutive effect on existing shareholders.

Mitigation: The Group's senior management team has carefully developed its long term business planning processes in support of any such new investment and the Group benefits from a loyal and supportive shareholder base.

Climate change

The Directors believe that climatic conditions in the South of England in recent years have generally been favourable to the growing of grapes used in sparkling wine production. However grape yields can be affected by certain adverse weather patterns such as late frosts and lack of sunshine during the flowering period. These climatic impacts can be quite localised. Please also refer to the paragraph ("Crop disease") below.

Mitigation: The Group's strategy to mitigate this risk is to monitor the micro climate in its existing vineyards through the use of temperature loggers and weather stations, with particular regard to late frosts, so that appropriate action can be promptly taken with the use of specialist frost prevention equipment. The Group has also mitigated this risk by planting vines on carefully selected sites in both West Sussex and Kent which are each subject to separate climatic conditions.

Crop disease

Commercial viticulture is a farming system prone to disease pressures. The relatively cool climate of the UK can exacerbate these pressures. While there is no significant pressure from fatal diseases threatening vine growing in the UK at present, there are certain diseases which may reduce yield under adverse climatic circumstances.

Mitigation: These risks can be mitigated through good husbandry and management practices. Please also refer to the paragraph "Climate change" above.

Competition

With the anticipated continuing growth in vineyard plantings in the South of England, the supply of English sparkling wine is likely to continue to increase and provide increased competition from other suppliers. 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, which could also adversely affect the retail prices of the Gusbourne wines.

Mitigation: The Group's strategy remains to produce the highest quality products and develop the Gusbourne brand with related support to attract and retain customer loyalty. The Group's strategy to develop International sales as a significant contribution to sales will also mitigate this competitive risk in the UK market.

Principal risks and uncertainties

continued

Future EU Trading Relationship

The UK left the EU on 31 December 2020 and whilst an exit arrangement was finalised there remains some uncertainty regarding the arrangements and the impact of this on companies operating in the UK and future political, trade and economic relationships with the EU.

Reduced access to EU labour could cause industry wage expenditure to rise, putting pressure on margins. In addition, reduced access to the EU sales market could cause sales to the EU to reduce and/or the cost of these sales to increase.

Mitigation: The Group continues to monitor developments with regards to the future relationship with the EU whilst putting in place plans to deal with any potential adverse effects of the proposed relationship in order to mitigate the impact on the Group.

COVID-19

The planned phased ending of UK lockdown arrangements in 2021 with regard to COVID-19 leaves some ongoing economic uncertainty, particularly with regard to the impact on sales to On Trade customers of the Group.

Mitigation: The Group has mitigated the impact of Covid-19 on sales by successfully growing its Direct to Consumer (DTC) and International sales. The Group has set out its mitigation plans associated with COVID-19 as part of its Going Concern consideration shown on pages 12 and 43.

Section 172 statement

This section serves as our s172 statement and should be read in conjunction with the whole Strategic Report.

The Directors are required by the Companies Act 2006 to act in the way they consider, in good faith, would be most likely to promote success of the Group for the benefit of its shareholders as a whole and in doing so are required to have regard for the following:

- The likely long term consequences of any decision;
- The interests of the Group's employees;
- The need to foster the Group's business relationships with supplies, customers and others;
- The desirability of the Company maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between shareholders of the Company.

In 2019 the Group adopted the Corporate Governance Code for Small and Mid-Size Quoted Companies from the Quoted Companies Alliance (the "QCA Code"). The Board's view is that the QCA Code is an appropriate code of conduct for the Group. There are details of how the Group applies the ten principles of the QCA Code on pages 24 to 28 of the Director's report.

The Chairman's and Chief Executive Officer's statements describe the Group's activities, strategy and future prospects, including the considerations for long term decision making on pages 5 to 19.

The Board considers that its major stakeholders are its employees, customers, lenders and shareholders. When making decisions, the interests of these stakeholders is considered informally as part of the Board's group discussions.

The Board maintains a good relationship with the Group's employees. The Board has constructive dialogue with employees through the Executive Directors. Appropriate remuneration and incentive schemes including bonuses and commissions are implemented to align employees' objectives with those of the Group.

The Board ensures that the Group maintains good relationships with its suppliers by contracting on their standard business terms and paying them promptly, within agreed and reasonable terms.

Major customers are engaged with regularly. The Board receives regular reports on progress with customer relationships to ensure that their decision making takes into account the needs of the customer base.

The Board does not believe that the Group has a significant impact on the environments within which it operates. The Board recognises that the Group has a duty to be responsible and is conscious that its business processes minimise harm to the environment, and that it contributes as far as is practicable to the local communities in which it operates.

The Board recognises the importance of maintaining high standards of business conduct. The Group operates appropriate policies on business ethics and provides mechanisms for whistle blowing and complaints which all employees are aware of.

The Board aims to maintain good relationships with its shareholders and treats them equally. Further details of the how the Board communicates with its shareholders are shown on page 28.

As required by section 414CZA(1) of The Companies (Miscellaneous Reporting Regulations) we include below how the Directors have had regard to the matters set out in section 172(1) on the principal decisions taken in the 2020 financial year.

Financing - June 2020

Details of the financing arrangements entered into by the Group in June 2020 are shown on pages 11 and 12.

The strategic report on pages 4 to 19 has been approved by the Board and signed on its behalf by:

Charlie Holland
Chief Executive Officer

Board of Directors

James ‘Jim’ Ormonde, Non-Executive Chairman

A member of the Audit, Remuneration and Nomination Committees.

Jim is a former newspaper and BBC journalist who left broadcasting to build Cardsave, one of the UK’s largest independent card payment companies, now owned by WorldPay/FIS. Since selling Cardsave, he has served on several private and public boards whilst providing strategic advice to numerous large corporates and private equity firms. He recently founded a multi-family office in New York and London.

Mike Paul, Non-Executive Deputy Chairman

A member of the Audit, Remuneration and Nomination Committees.

Mike is currently a director of the Millione Foundation Limited and has worked in the wine industry for over thirty years. Having received a postgraduate Diploma in Business Studies, he became the Managing Director of the premium wine agency Percy Fox, representing a number of luxury wine brands. In 1990 Mike became European Director responsible for the development of Southcorp’s business in Europe. He led Southcorp to become a major player in the UK wine market with brands such as Penfolds and Lindemans. In 2002 Mike was appointed Managing Director of Western Wines (UK), a leading importer of South African, Chilean and Italian wines, and owner of the leading South African brand, Kumala. He is closely involved with Wine GB, the organisation that represents UK wine producers.

Charlie Holland, Chief Winemaker and Chief Executive Officer

Charlie, who has been head of wine making at Gusbourne for over seven years, joined the board in October 2016 as Chief Winemaker and Chief Executive Officer. He is responsible for winemaking at Gusbourne but also represents the Company as its Chief Executive Officer and manages the day to day running of the business in conjunction with Jon Pollard and other members of the executive team in what remains a highly collaborative and relatively flat organisation.

Charlie holds a degree in marketing and a BSc in Viticulture and Oenology from Plumpton College. He has held a number of overseas wine making positions including in France, Germany, Australia, New Zealand and California. Prior to joining Gusbourne Charlie was winemaker for four years at Ridgeview, a well-known English sparkling wine producer.

Jon Pollard, Chief Vineyard Manager and Chief Operating Officer

Jon has been the vineyard manager at the Gusbourne Estate since the first vines were planted sixteen years ago in 2004. He joined the board in October 2016 as Chief Vineyard Manager and Chief Operating Officer. He continues to be responsible for Gusbourne’s vineyards and works closely with Charlie Holland on the day to day operations of the business.

Jon holds an honours degree in general agriculture from the University of Aberdeen and is also a graduate in wine studies from Plumpton College. He has worked closely with Andrew Weeber over the years to establish the vineyards which are widely regarded as some of the best in the country in terms of both grape quality and yield. Jon supervises the vineyard operations in both Kent and West Sussex and works closely with the Chief Winemaker to ensure the quality and consistency of the final product.

Lord Arbuthnot PC, Non-Executive Director

A member of the Audit, Remuneration (Chairman) and Nomination (Chairman) Committees.

James Arbuthnot was a Conservative MP for 28 years and served as Minister for Defence Procurement, Chief Whip and Chairman of the Defence Select Committee. He was appointed to the House of Lords in 2015.

James is the Chairman of the Information Assurance Advisory Council, and of the Nuffield Trust for the Forces of the Crown, and of the Airey Neave Trust, and a member of the Advisory Board of the Royal United Services Institution (RUSI) and of Montrose Associates.

He is chairman of the Advisory Board of the defence company Thales (UK) and Chairman of Electricity Resilience Ltd.

Paul Gerald Bentham, Non-Executive Director

A member of the Audit, Remuneration and Nomination Committees.

Paul is the founder and currently a Non-Executive Director of Retail Merchant Group Ltd. With a background in card payment services and retail banking projects he was the founder and previously the Executive Chairman of Cardsave UK Ltd. He is also engaged in various commercial and residential property projects, including investment-grade office and warehouse sites and is currently investing in the construction of 3,500 students beds in purpose built student accommodation ("PBSA") in university cities.

Matthew David Clapp, Non-Executive Director

A member of the Audit, Remuneration and Nomination Committees.

Matthew is a non-executive Chairman of Shutdown Maintenance Services Ltd, a director of MDC Consulting Limited and a director of Joseridan Family Office. Matthew also consults for Levendi Investment Management, an investment advisory firm that advises on the use of structured investments and derivatives with over £800 million of assets under advice.

Matthew has spent over 15 years working in the markets for high end real estate developments, private members clubs and financial services. Matthew holds an MBA and is a Freeman of the City of London.

Board of Directors continued

Ian George Robinson BA FCA, Non-Executive Director

A member of the Audit (Chairman), Remuneration and Nomination Committees.

Ian is currently Non-Executive Chairman of Jaywing Plc, an AIM listed agency and consulting business specialising in data science. He is also a director of a number of privately-owned businesses.

He has held other senior financial appointments both in the UK and overseas. He is a Fellow of the Institute of Chartered Accountants in England & Wales and holds an honours degree in economics from The University of Nottingham.

Andrew Weeber BSc, MB ChB, FCS, Non-Executive Director

A member of the Audit, Remuneration and Nomination Committees.

After graduating from the University of Stellenbosch in 1968 with a BSc in Biochemistry & Physiology, Andrew continued to a Bachelor of Medicine and Surgery. He specialised at the University of Cape Town, and was awarded his FCS in Trauma and Orthopaedic Surgery in 1984.

Andrew went on to pursue a career spanning more than 20 years practising as a consultant orthopaedic surgeon in South Africa and the United Kingdom, whilst simultaneously pursuing his entrepreneurial interests. In 1986 he co-founded, and successfully exited, the 247-bed private Vergelegen Mediclinic Hospital, near Cape Town. In 1988 Andrew's interest in wine and biochemistry led him to acquire a 50% stake in a Robertson wine estate. He sold the estate in 1991 and moved to the United Kingdom in 1992.

In the United Kingdom, he developed an orthopaedic unit within the Friarage Hospital in North Yorkshire. He oversaw its growth to a regional specialisation centre, employing 21 surgeons. During this time, Andrew was appointed to the Medical Committee of the Football Association of England. Andrew retired from medicine in 2004 and focused on his personal business interests, primarily the development of the Gusbourne Estate; a project which he had established a year earlier on his 500 acre Estate in Kent. The first vintage was released in 2010 to critical acclaim and received numerous awards. This firmly established Gusbourne Estate's position at the forefront of premium English wine.

Andrew has held several board memberships, including 6 years at the 15,000 acre Alpheus Williams & Son Timber Corporation, until its successful acquisition by the SAPP 1 Group. A member of the Audit, Remuneration and Nomination Committees.

Report of the Directors

for the year ended 31 December 2020

The Directors present their report together with the audited financial statements for the year ended 31 December 2020.

As a Company whose shares are traded on the AIM market of the London Stock Exchange, the Company complies with the Quoted Companies Alliance ('QCA') Corporate Governance Code ('the Code') and its Statement of Compliance with the same can be found on the Company website www.gusbourne.com/investors.

Results and dividends

The consolidated statement of comprehensive income is set out on page 31 and shows the result for the year. No dividend was declared (December 2019: £Nil).

Principal activities

The principal activities of Gusbourne PLC ("the Company") and its subsidiaries ("the Group") comprise the production, sale and distribution of premium vintage English sparkling wine.

Review of the business and future developments

A review of the business together with an indication of future developments is given in the Chairman's statement on page 5 and in the Chief Executive's review on pages 7 to 19. Principal risks and uncertainties are shown on pages 17 and 18.

Subsequent events

Details of post balance sheet events are shown in note 23 to the financial statements.

Directors

The Directors of the Company during the year were as follows:

James Ormonde (appointed 2 September 2020) (Non-Executive Chairman)

Mike Paul (Non-Executive Deputy Chairman)

Charlie Holland (Chief Executive Officer)

Jon Pollard (Chief Operating Officer)

Lord Arbuthnot PC (Non-Executive Director)

Paul Bentham (Non-Executive Director)

Matthew Clapp (Non-Executive Director)

Ian Robinson (Non-Executive Director)

Andrew Weeber (Non-Executive Director)

Report of the Directors continued

The beneficial interest of Directors who held office at 31 December 2020 in the share capital of the Company is shown below:

Ordinary shares of 1 pence each

	December 2020		December 2019	
	Number	Percentage	Number	Percentage
Andrew Weeber	2,722,221	5.9%	2,722,221	5.9%
Paul Bentham	1,021,704	2.2%	1,021,704	2.2%
Ian Robinson	522,753	1.1%	522,753	1.1%
Mike Paul	130,806	0.3%	130,806	0.3%
Lord Arbuthnot PC	106,360	0.2%	106,360	0.2%
Matthew Clapp	73,027	0.2%	73,027	0.2%
Jon Pollard	42,186	0.1%	42,186	0.1%
Charlie Holland	42,000	0.1%	42,000	0.1%

Corporate governance

The Board of Gusbourne plc have adopted the Quoted Companies Alliance (QCA) Corporate Governance Code in line with the London Stock Exchange's recent changes to the AIM Rules requiring all AIM-listed companies to adopt and comply with a recognised corporate governance code from 28 September 2018. Our report sets out in broad terms how we presently comply with this code. We will also provide annual updates on our compliance with the code.

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

Please refer to the Chief Executive's review on page 7.

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

The Company remains committed to listening and communicating openly with its shareholders to ensure that its strategy, business model and performance are clearly understood.

Private shareholders

The AGM is the main forum for dialogue with retail shareholders and the Board. The Notice of Meeting is sent to shareholders at least 21 days before the meeting. The chairs of the Board and all committees, together with all other Directors, routinely attend the AGM and are available to answer questions raised by shareholders. For each vote, the number of proxy votes received for, against and withheld is announced at the meeting. The results of the AGM are subsequently published via RNS.

The Board as a whole is kept informed of the views and concerns of major shareholders. Members of the Board are available to meet with major shareholders if required to discuss issues of importance to them.

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

Engaging with our stakeholders, including shareholders, suppliers, customers and employees, strengthens our relationships helps the Board to understand the issues that matter most to them and our business and enables us to make better business decisions and deliver on our commitments.

Feedback from our stakeholders is continually monitored and reviewed by the Board with appropriate actions taken as necessary.

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

The principal risks and uncertainties facing the Company are set out on pages 17 and 18. This section also details how these risks are mitigated. They are also subject to regular review by the Audit Committee.

Principle 5: Maintaining the Board as a well-functioning, balanced team led by the Chair

The Board comprises the Non-Executive Chairman, two Executive Directors and six Non-Executive Directors. The Board maintains a suitable balance between independence and knowledge of the Company and its market, to enable it to discharge its duties and responsibilities effectively. All Directors are encouraged to use their independent judgement and to challenge all matters, both operational and strategic. The Company believes stability of the Board is essential to the execution of long-term strategic plans.

The Board considers the Non-Executive Director's of the Group to be independent. The Board notes that Ian Robinson and Matthew Clapp are associated with the Company's major shareholder which could appear to impair their independence for the purposes of the Code. However, the Board considers that both Ian Robinson and Matthew Clapp are able to bring an independent view to bear on all matters dealt with by the Board and its various Committees. Independence is a board judgement.

The Company has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board.

Further information on the board's skill set, including biographies of each director and their relevant expertise can be found on pages 20 to 22.

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

The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience for the market in which the Company operates together with the financial and general management skills, including accounting practices and broader plc governance experience, to deliver the necessary input to and oversight of the different opportunities and threats the Company faces.

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

Report of the Directors continued

Both the Chairman, James Ormonde and the Deputy Chairman, Mike Paul assess the individual contributions of each of the members of the team to ensure that:

- Their contribution is relevant and effective
- That they are committed
- Where relevant, they have maintained their independence

Over the next 12 months we intend to review the performance of the team as a unit to ensure that the members of the board collectively function in an efficient and productive manner. This will be done by surveying the Company's senior leadership team, as well as through other stakeholder engagement.

The make-up of the Board and succession planning is reviewed periodically to ensure the Company is not unduly exposed to either the loss of members of the Board or poor performance. Board members are re-elected every three years.

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

The Board aims to lead by example and do what is in the best interests of the Company. Our culture is highly collaborative in what remains a relatively flat organisation, with employees from across the business encouraged to work closely together, value the contribution that each person makes and always act in the best interests of the customer.

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

Board programme

The Board meets at least four times each year where it sets direction for the Company.

A schedule of dates is compiled before the beginning of each financial year for that year's six Board meetings, aligned as optimally as possible with the Company's financial and trading calendars, while also ensuring an appropriate spread of meetings across the financial year. This may be supplemented by additional meetings as and when required.

Before each meeting, a formal agenda is produced, and the Board and its Committees receive relevant papers several days before meetings take place. Each matter is discussed, and any Director may challenge Company proposals, after which decisions are taken democratically. Should any Director have any concern that remains unresolved, they may ask for that concern to be noted in the minutes of the meeting, which are then circulated to all Directors. The Board or relevant Committee may agree actions, which are then followed up by the Company's management.

Roles of the Board, Chairman and Chief Executive Officer

The Board is responsible for the long-term success of the Company. There is a formal schedule of matters reserved to the Board. It is responsible for overall Group strategy; approval of major investments (whether Capex or Opex); approval of the annual and interim results; annual budgets; dividend policy; and Board

structure. It monitors the exposure to key business risks and reviews the strategic direction of all trading subsidiaries, their annual budgets and their performance in relation to those budgets. There is a clear division of responsibility at the head of the Company. The Chairman is responsible for running the business of the Board and for ensuring appropriate strategic focus and direction. The Chief Executive Officer is responsible for proposing the strategic focus to the Board, implementing it once it has been approved and overseeing the management of the Company through the Executive Team.

All Directors regularly receive relevant and timely information on the Group's operational and financial performance in advance of meetings. The business reports monthly on its headline performance against its agreed budget, and prior year performance and the Board reviews the monthly update on performance with any significant variances reviewed at each meeting. Where appropriate, senior executives below Board level may attend Board meetings to present business updates.

Executive Team

The Executive Team consists of Charlie Holland (Chief Executive Officer) and Jon Pollard (Chief Operating Officer) and with input from the divisional managers and teams. They are responsible for formulation of the proposed strategic focus for submission to the Board, the day-to-day management of the Group's businesses and its overall trading, operational and financial performance in fulfilment of that strategy, as well as plans and budgets approved by the Board of Directors. It also manages and oversees key risks, management development and corporate responsibility programmes. The Chief Executive Officer reports to the plc Board on issues, progress and recommendations for change.

Board committees

The Board is supported by the Audit, Remuneration and Nomination committees. Each committee has access to any resources, information and advice it deems necessary, at the cost of the Company, to enable the committee to discharge its duties. The terms of reference of each committee are available on the Gusbourne plc investors' website.

The Remuneration Committee comprises Lord Arbuthnot PC (Chairman), James Ormonde, Andrew Weeber, Paul Bentham, Matthew Clapp, Ian Robinson and Mike Paul and meets at least twice a year and at such other times as the Chairman of the Committee requires. The Committee considers all material elements of the remuneration policy to ensure that remuneration is sufficient to attract, retain and motivate Executive Directors and senior management of the quality required to manage the Group successfully. This is performed with reference to independent remuneration research and professional advice. The Committee recommends to the Board the framework for the remuneration packages of the individual Executive Directors. The Board is then responsible for implementing the recommendations although no Director is involved in deciding his own remuneration. The Directors are not permitted to vote on their own terms and conditions of remuneration.

The Audit Committee comprises Ian Robinson (Chairman), James Ormonde, Andrew Weeber, Lord Arbuthnot PC, Paul Bentham, Matthew Clapp and Mike Paul and meets at least twice a year and at such other times as the Chairman of the Committee requires. The external auditors attend for part or all of

Report of the Directors continued

each meeting. The Committee is responsible for reviewing a wide range of matters, including half-year and annual results before their submission to the Board, and for monitoring the controls that are in force to ensure the integrity of information reported to shareholders. The Committee advises the Board on the appointment of external auditors and on their remuneration for both audit and non-audit work, and discusses the nature, scope and results of the audit with the external auditors. The Committee keeps under review the cost effectiveness and the independence and objectivity of the external auditors. The Audit Committee is further responsible for ensuring that the ethical and compliance commitments of management and employees are understood throughout the Group.

The Committee has considered that in light of the present size of the Group that a separate internal audit function is not currently required. The Committee's position on the internal audit function is reviewed regularly, at least once a year.

The Nomination Committee comprises Lord Arbuthnot (Chairman), James Ormonde, Andrew Weeber, Paul Bentham, Matthew Clapp, Ian Robinson and Mike Paul and meets at least twice a year. The Committee is responsible for reviewing the composition and structure of the Board and for making recommendations to the Board for its consideration and approval.

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

The Company communicates with shareholders through the Annual Report and Accounts, full-year and half-year announcements, RNS and RNS Reach for significant developments, the Annual General Meeting (AGM) and one-to-one meetings with large existing or potential new shareholders. A range of corporate information, including all Company announcements, is also available to shareholders, investors and the public on the Company's investor website, www.gusbourneplc.com.

The Board receives regular updates on the views of shareholders through briefings and reports from other members of the Board and the Company's brokers. The Company regularly seeks feedback from employees through a number of mechanisms. This information is used to improve service in general as well as addressing any specific concerns.

Substantial shareholdings

Current shareholdings in excess of 3%:

Shareholder	Shareholding
Lord Ashcroft KCMG PC	71.0%
Andrew Weeber	5.9%

At 31 December 2020 the ultimate controlling party of the Company is Lord Ashcroft KCMG PC.

Charitable and political donations

During the year, the Group made charitable and political donations of £nil (December 2019: £Nil).

Directors' third party indemnity provisions

The Group maintains appropriate insurance to cover Directors' and Officers' liability. The Group provides an indemnity in respect of all the Group's Directors. Neither the insurance nor the indemnity provides cover where the Director has acted fraudulently or dishonestly.

Financial risk management

The Group's objectives and policies relating to financial risk management are fully explained in Note 3 on pages 53 to 55.

Directors' responsibilities

The Directors are responsible for preparing the strategic report, director's report and the 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 Group financial statements and the Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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 Group and Company and of the profit or loss of the Group for that year. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the Group and the Company financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, 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 company 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 enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Directors continued

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Auditors

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purpose of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

A resolution to reappoint BDO LLP as auditors will be proposed at the next annual general meeting.

By order of the Board

Ian Robinson

Secretary and Non-Executive Director

Date: 4 June 2021

Report of the independent auditors for the year ended 31 December 2020

Opinion on the financial statements

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 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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.

We have audited the financial statements Gusbourne Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the company balance sheet, the consolidated statement of cash flows, the company statement of cash flows, the consolidated statement of changes in equity, the company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006. 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company 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.

Report of the independent auditors

for the year ended 31 December 2020

continued

Material uncertainty related to going concern

We draw attention to note 1 which explains that an amount of £6.1m is due for repayment in respect of the group's deep discount bonds and other loans in August 2021. Whilst the Group has a five year revolving asset-backed loan facility of £10.5m, the available undrawn amounts are not sufficient to repay the the amount due. Although the directors are confident that they will be able to secure access to further funding, refinance or extend the terms of existing borrowing, there is no guarantee that such measures will be achieved. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability of the entity to continue as a going concern.

We considered that the ability to refinance the deep discount bonds and other loans that mature on 15 August 2021 to be the key risk giving rise to a material uncertainty in relation to the directors' going concern assessment and disclose our audit response. Should any of the risk factors discussed in note 1 or below occur, the Group may be unable to make payments as they fall due.

- We reviewed and challenged the Director's forecasts to assess the Company's ability to meet their financial obligations as they fall due within the period of twelve months from the date of approval of the financial statements. This included reviewing the assumptions and inputs in the cash flow forecast to assess whether these were in line with our understanding of the Group's operations and other information obtained by us during the course of the audit. The forecasts included the Director's reverse stress test of the business as discussed in note 1, including a twelve month delay or refinancing of the deep discounted bonds and related party loans amounting to £6.1m that are repayable on 15 August 2021.
- We performed a mechanical check on the Group's cash flow forecast prepared by management. We have challenged the assumptions within the forecast such as comparing the revenue forecasted to initial and revised budgets as well as trading in the past two months and discussed them with management.
- We performed sensitivity analysis on the cash flow forecasts and assessed the available headroom under sensitivity scenarios. We considered whether the operating cost and capital expenditure were contracted for in our review of management's mitigation as part of their scenario testing.
- We have reviewed the letters of intent to support, from the majority shareholder Lord Ashcroft as well as from Paul Bentham and Andrew Weeber. We confirmed that these amounted to 85% of the August 2021 repayment obligation.
- We have reviewed and challenged the adequacy of the disclosures being made by Management.

Our opinion is not modified in respect of this matter.

Key audit matters

Except for the matter described in the material uncertainty related to going concern section, we have determined that there are no other key audit matters to be communicated in our report.

Overview

Coverage	The Group comprises the Company and its only trading component, both audited by BDO LLP and therefore gives entire coverage of the Group.
Materiality	Group financial statements as a whole £172,000 (2019: £150,000) based on 0.7% (2019: 0.7%) of total assets

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

Report of the independent auditors

for the year ended 31 December 2020

continued

	Group financial statements		Parent company financial statements	
	2020	2019	2020	2019
Materiality	£172,000	£150,000	£155,000	£135,000
Basis for determining materiality	0.7% of total assets	0.7% of total assets	90% of Group materiality	90% of Group materiality
Rationale for the benchmark applied	The Group remains loss-making as it continues to develop the business		Materiality has been constrained though the Company is an investment holding company	
Performance materiality	£129,000	£112,500	£116,000	£101,250
Basis for determining performance materiality	On the basis of our risk assessment, together with our assessment of the Group's overall control environment, our judgement was that performance materiality should be 75% of materiality.			

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £8,600 (2019: £7,500). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Report and Financial Statements, 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 course of 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.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> • 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 Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. <p>In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.</p>
Matters on which we are required to report by exception	<p>We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:</p> <ul style="list-style-type: none"> • 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 Directors

As explained more fully in the Directors' responsibilities statement, 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 the 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.

Report of the independent auditors

for the year ended 31 December 2020

continued

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

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 gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company that were contrary to applicable laws and regulations, including fraud.
- Our audit procedures were designed to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.
- We focused on laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to, financial reporting legislation, the Companies Act 2006, and tax legislation.
- We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.
- Our tests included agreeing the financial statement disclosures to underlying supporting documentation, review of board meeting minutes and enquiries with management.
- We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias in accounting estimates.
- We addressed the risk of management override of internal controls through testing journals.
- We evaluated whether there was evidence of bias by the Directors in accounting estimates, primarily biological asset and impairment of intangibles that represented a risk of material misstatement due to fraud. We challenged assumptions and judgements made by management in their significant accounting estimates.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available 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 Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Charles Ellis
(Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

4 June 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated statement of comprehensive income

for the year ended 31 December 2020

	Note	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Revenue	4	2,294	1,845
Excise duties		(185)	(192)
Net revenue	4	2,109	1,653
Cost of sales		(879)	(735)
Gross profit		1,230	918
Fair value movement in biological produce	13	(221)	(172)
Administrative expenses		(3,198)	(2,902)
Loss from operations	5	(2,189)	(2,156)
Finance expenses	8	(877)	(445)
Loss before tax		(3,066)	(2,601)
Tax expense	9	-	-
Loss and total comprehensive loss for the year attributable to owners of the parent		(3,066)	(2,601)
Loss per share attributable to the ordinary equity holders of the parent:			
Basic (pence)	10	(6.60)	(5.67)
Diluted (pence)	10	(6.60)	(5.67)

The notes on pages 43 to 71 form part of these financial statements

Consolidated statement of financial position

at 31 December 2020

	Note	31 December 2020 £'000	31 December 2019 £'000
Assets			
Non-current assets			
Intangibles	11	1,007	1,007
Property, plant and equipment	12	12,793	13,231
Other receivables	15	38	90
		13,838	14,328
Current assets			
Biological Produce	13	-	-
Inventories	14	9,325	7,463
Trade and other receivables	15	869	707
Cash and cash equivalents		262	1,009
		10,456	9,179
Total assets		24,294	23,507
Liabilities			
Current liabilities			
Trade and other payables	16	(769)	(752)
Loans and borrowings	17	(5,676)	(3,379)
Lease liabilities	18	(92)	(123)
		(6,537)	(4,254)
Non-current liabilities			
Loans and borrowings	17	(6,613)	(5,026)
Lease liabilities	18	(2,016)	(2,033)
		(8,629)	(7,059)
Total liabilities		(15,166)	(11,313)
Net assets		9,128	12,194

Consolidated statement of financial position

at 31 December 2020

continued

	Note	31 December 2020 £'000	31 December 2019 £'000
Issued capital and reserves attributable to owners of the parent			
Share capital	20	12,048	12,048
Share premium	21	10,915	10,915
Merger reserve	21	(13)	(13)
Retained earnings	21	(13,822)	(10,756)
Total equity		9,128	12,194

The financial statements were approved and authorised for issue by the Board of Directors on 4 June 2021 and were signed on its behalf by:

James Ormonde

Non-Executive Chairman

Charlie Holland

Chief Executive Officer

The notes on pages 43 to 71 form part of these financial statements

Consolidated statement of cash flows

for the year ended 31 December 2020

	Note	31 December 2020 £'000	31 December 2019 £'000
Cash flows from operating activities			
Loss for the year before tax		(3,066)	(2,601)
Adjustments for:			
Depreciation of property, plant and equipment	12	647	699
Finance expense	8	877	445
Fair value movement in biological produce	13	221	172
(Increase) in trade and other receivables		(143)	(209)
Increase in inventories		(1,978)	(2,220)
Increase in trade and other payables		17	269
Cash outflow from operations		(3,425)	(3,445)
Investing activities			
Purchases of property, plant and equipment, excluding vineyard establishment	12	(254)	(339)
Sale of property, plant and equipment		-	11
Net cash from investing activities		(254)	(328)
Financing activities			
Capital loan repayments		(3,253)	(34)
New loans issued		6,796	3,250
Repayment of lease liabilities		(142)	(125)
Interest paid		(281)	(90)
Loan issue costs		(188)	(15)
Issue of ordinary shares	20	-	485
Net cash from financing activities		2,932	3,471
Net increase/(decrease) in cash and cash equivalents		(747)	(302)
Cash and cash equivalents at the beginning of the year	19	1,009	1,311
Cash and cash equivalents at the end of the year	19	262	1,009

The notes on pages 43 to 71 form part of these financial statements

Consolidated statement of changes in equity

for the year ended 31 December 2020

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total attributable to equity holders of parent £'000
1 January 2019	12,040	10,438	(13)	(8,155)	14,310
Comprehensive loss for the year	-	-	-	(2,601)	(2,601)
Contributions by and distributions to owners:					
Share issue	8	477	-	-	485
31 December 2019	12,048	10,915	(13)	(10,756)	12,194
1 January 2020	12,048	10,915	(13)	(10,756)	12,194
Comprehensive loss for the year	-	-	-	(3,066)	(3,066)
31 December 2020	12,048	10,915	(13)	(13,822)	9,128

The notes on pages 43 to 71 form part of these financial statements

Notes forming part of the financial statements

for the year ended 31 December 2020

1 Accounting policies

Gusbourne PLC (the “Company”) is a company incorporated and domiciled in the United Kingdom and quoted on the London Stock Exchange’s AIM market. The consolidated financial statements of the Group for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the “Group”).

Basis of preparation

The Group’s consolidated financial statements and the Company’s financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The Company’s financial statements are presented on pages 72 to 78.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group’s financial statements.

The financial statements are presented in pounds sterling. They have been prepared on the historical cost basis except that biological produce is stated at fair value.

Going concern

The directors have considered the cash available from committed facilities to continue operations for at least 12 months from the date these financial statements were approved and in addition, whether any of its key covenants may be breached during this period in assessing whether the going concern assumption is appropriate.

In coming to their conclusion, the directors have considered the Group’s profit and cash flow plans for the coming period, and in the light of the residual uncertainty due to COVID-19 have run various downside “stress test” scenarios. These scenarios assess the continuing potential impact of COVID-19 on the Group over the next 12 months and in particular on the Group’s sales through its key distribution channels. These stress tests indicate the Group can withstand any ongoing adverse impact on revenues and cashflow for at least the next 12 months but only if the short-term loan and deep discounted bonds are refinanced or deferred.

While initial forecasts are based on board-approved budgets, the Group has considered a scenario in which forecast revenues are restricted to those achieved in the year ended 31 December 2020 when the business was impacted by Covid-19 on UK on-trade and off-trade sales channels. Under this scenario the directors have modelled the impact certain cost mitigation actions, in relation to variable and discretionary costs and believe that there are sufficient cost savings which could be achieved from sales and marketing, administrative, winery and vineyard costs to enable the Group to continue as a going concern for the next 12 months.

Notes forming part of the financial statements continued

1 Accounting policies (continued)

In these stress test scenarios, the directors assessed the Group's potential cash requirements together with the availability of undrawn funds from the Group's £10.5m asset-based lending facility, of which £2.4m is undrawn on the date on which these financial statements were approved. The stress test scenarios show that the Group does not require more funds than the current undrawn facilities, assuming that the short-term loan and deep discounted bonds will be refinanced or deferred. Furthermore, the scenarios that the Group remains in compliance with its key monthly covenant tests which commenced on 31 December 2020.

Under these significant stress test scenarios, the Group could withstand a material and prolonged adverse impact on revenues, in line with those in 2020 and continue to operate within the available lending facilities. In each of the stress test scenarios, the directors have assumed that the short-term loan and deep discounted bonds will be refinanced or deferred.

The directors have also assessed the ability of the Group to repay its short-term loan and deep discounted bonds (£0.5m and £5.1m respectively at 31 December 2020) which are due for repayment on 15 August 2021. The total amount due on 15 August 2021 to satisfy these obligations will amount to £6.1m. Of this amount £1.5m is due to directors of the Group, £3.8m is due to the major shareholder of the Group and £0.8m due to third parties. The directors believes that the Group will be able to raise further equity and/or debt funds to repay or refinance this short term debt as well as providing additional funds for the further development of the Group. The Group has shown an ability in the past to raise capital and/or debt funds, and it believes that it will be able to raise such funds in the future. Furthermore, those directors and major shareholder who hold over 85% of this short term debt obligation have confirmed in writing in June 2021 that they do not intend to call their debt should doing so cause the Group to be unable to satisfy its creditors as they fall due.

However, there is no guarantee that the Group will be able to raise further equity and/or debt funds to repay or refinance this short term debt. The Group does not currently have sufficient cash or other financing available to settle this obligation and has no contractual agreement that would enable the Group to refinance or defer payment of the short-term loan of and deep discounted bonds.

This condition indicates the existence of a material uncertainty as at the date of approval of these financial statements, which may cast significant doubt on the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would be required should the going concern basis of preparation no longer be appropriate.

IFRS 16 Leases

The Group has entered into a number of long term leases in respect of land and buildings in West Sussex on which the Group has planted vineyards. The

**1 Accounting policies
(continued)**

leases have a remaining life of 42 and 49 years. During the year ended 31 December 2019, the Group had assessed the leases under IFRS 16 and a right of use asset and lease liability were recognised in the consolidated statement of financial position for the first time in respect of its current operating leases. The Group having reviewed its leases, decided to account for IFRS 16 on the modified retrospective approach using a single discount rate for leases with similar characteristics.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case The Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

Right-of-use assets are initially measured at the amount of the lease liability.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the leases. When the Group revises its estimate of the term of any lease (because, for example, it reassesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

Basis of consolidation

The Group's financial statements consolidate the financial statements of the Company and its subsidiary undertakings. Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities and the ability to use its power over the investee to affect the amounts of the Group's returns and which generally accompanies interest of more than one half of the voting rights. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The results of any subsidiaries sold or acquired are included in the Group income statement up to, or from, the date control passes. Intra-Group sales and profits are eliminated fully on consolidation.

Notes forming part of the financial statements continued

1 Accounting policies (continued)

On acquisition of a subsidiary, all of the subsidiary's separable, identifiable assets and liabilities existing at the date of acquisition are recorded at their fair values reflecting their condition at that date. On disposal of a subsidiary, the consideration received is compared with the carrying cost at the date of disposal and the gain or loss is recognised in the income statement. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets is recorded as goodwill. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Subsidiaries' results are amended where necessary to ensure consistency with the policies adopted by the Group.

Revenue

The majority of the group's revenue is derived from selling goods with revenue recognised at a point in time when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customer. However, for export sales, control might also be transferred when the goods are dispatched by the Group or delivered either to the port of departure or port of arrival, depending on specific terms of the contract with a customer. There is limited judgement needed in identifying the point control passes: once physical delivery of the products to the agreed location has occurred, the group no longer has physical possession, usually will have a present right to payment and retains none of the significant risks and rewards of the goods in question.

All of the Group's revenue is derived from fixed price contracts and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices.

For all contracts there is a fixed unit price for each product sold. Therefore, there is no judgement involved allocating the contract price to each unit ordered in such contracts (it is the number of units multiplied by the fixed unit price for each product sold). Where a customer orders more than one product line, the Group is able to determine the split of the total contract price between each product line by reference to each product's standalone selling prices (all product lines are capable of being, and are, sold separately).

Revenue from vineyard tours and tastings is recognised on the date on which the tour or tasting takes place.

Net revenue is revenue less excise duties. The Group incurs excise duties in the United Kingdom and is a production tax which becomes payable once the Group's products are removed from bonded premises and are not directly related to the value of revenue. It is not included as a separate item on invoices issued to customers. Where a customer fails to pay for the Group's products the Group cannot reclaim the excise duty. The Group therefore recognises excise duty as a cost of the Group.

**1 Accounting policies
(continued)*****Government grants***

Government grants are recognised against expenses in the period in which they are intended to compensate. Grants are only recognised when there is reasonable assurance that any conditions attached to the grant will be complied with and that the grant will be received

Financial assets***Debt instruments at amortised cost***

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value 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, less provision for impairment. The financial assets meet the SPPI test and are held in a 'hold to collect' business model and therefore classified at amortised cost.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for trade receivables. The historical loss rates are adjusted for current and forward looking information relevant to the Group's customers.

For trade receivables, which are reported net, such expected credit losses are recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less.

Financial liabilities***Borrowings***

Borrowings are initially recognised at fair value net of any transaction costs directly attributable to the loan. They are subsequently measured at amortised cost with interest charged to the statement of comprehensive income based on the effective interest rate of the borrowings.

Notes forming part of the financial statements continued

1 Accounting policies (continued)

Deep discount bonds

Deep discount bonds are redeemable at their nominal price at maturity. The discount is charged over the life of the bond to the statement of comprehensive income and included within finance expenses.

Warrants

Warrants issued to shareholders as part of an equity fund raise are accounted for as equity instruments. Details of Warrants are shown in note 20.

Trade and other payables

Comprises trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Share capital

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability.

The Group's ordinary shares are classified as equity instruments.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

1 Accounting policies (continued)

- the same taxable group company; or
- different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Intangible Assets

Goodwill

Goodwill arises where a business is acquired and a higher amount is paid for that business than the fair value of the assets and liabilities acquired. Transaction costs attributable to acquisitions are expensed to the income statement.

Goodwill is recognised as an asset in the statement of financial position and is not amortised but is subject to an annual impairment review. Impairment occurs when the carrying value of goodwill is greater than the recoverable amount which is the higher of the value in use and fair value less disposal costs. The present value of the estimated future cash flows from the separately identifiable assets, termed a 'cash generating unit' is used to determine the fair value less cost of disposal to calculate the recoverable amount. The Group prepares and approves formal long term business plans for its operations which are used in these calculations.

Brand

Brand names acquired as part of acquisitions of businesses are capitalised separately from goodwill as intangible assets if their value can be measured reliably on initial recognition and it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group.

Brand names have been assessed as having an indefinite life and are not amortised but are subject to an annual impairment review. Impairment occurs when the carrying value of the brand name is greater than the present value of the estimated future cash flows.

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs.

Freehold land is not depreciated.

Vineyard establishment represents the expenditure incurred to plant and maintain new vineyards until the vines reach productivity. Once the vineyards are productive the accumulated cost is transferred to mature vineyards and depreciated over the expected useful economic life of the vineyard. Vineyard establishment is not depreciated.

Notes forming part of the financial statements continued

1 Accounting policies (continued)

Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

Freehold buildings	4% per annum straight line
Plant, machinery and motor vehicles	5-25% per annum straight line
Computer equipment	33% per annum straight line
Mature vineyards	4% per annum straight line

The carrying value of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Biological assets and produce

Agricultural produce is accounted for under IAS 41 Agriculture. Harvesting of the grape crop is ordinarily carried out in October. The grapes are therefore measured at fair value less costs to sell in accordance with IAS 41 with any fair value gain or loss shown in the consolidated statement of comprehensive income. 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. This measurement of fair value less costs to sell is the deemed cost of the grapes that is transferred into inventory upon harvest.

Under IAS 41, the agricultural produce is also valued at the end of each reporting period, with any fair value gain or loss shown in the consolidated statement of comprehensive income. Bearer plants are accounted for under IAS 16 and are held at cost.

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs, including depreciation on right of use assets and interest on lease liabilities, incurred in bringing the inventories to their present location and condition. Grapes grown in the Group's vineyards are included in inventory at fair value less costs to sell at the point of harvest which is the deemed cost for the grapes.

Weighted average cost is used to determine the cost of ordinarily interchangeable items.

1 Accounting policies (continued)

Leased assets

All leases are accounted for by recognising a right-of-use asset and a lease liability except for leases of low value assets and leases with an expected full term of 12 months or less.

Lease liabilities are measured at the present value of the unpaid contractual payments over the expected lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used.

On initial recognition, the carrying value of the lease liability also includes amounts expected to be payable under any residual value guarantee; the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to exercise that option; and any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for lease payments made at or before commencement of the lease and initial direct costs incurred.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at a revised discount rate that is implicit in the lease for the remainder of the lease term. The carrying value of lease liabilities is similarly revised if any variable element of future lease payments dependent on a rate or index is revised. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining lease term.

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 either treats the reduction as an acceleration of depreciation or as an impairment under IAS 36 'Impairment of Assets'. An acceleration of depreciation occurs in those cases where there is no opportunity or intention to utilise the asset before the end of the lease.

Notes forming part of the financial statements continued

2 Critical accounting policies

Estimates and judgements

The Group makes certain estimates and judgements regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relate are set out below.

There were no areas of judgement in the year. Where estimates and assumptions have been used these are outlined below.

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. Refer to note 13 which provides information on sensitivity analysis around this.

Impairment reviews

The Group is required to test annually whether goodwill and brand names have suffered any impairment. The recoverable amount is determined based on fair value less costs of disposal calculations, which requires the estimation of the value and timing of future cash flows and the determination of a discount rate to calculate the present value of the cash flows. Further information is set out in note 11. Management does not believe that any reasonably possible change in a key assumption would result in impairment.

Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted)
- Level 2: Observable direct or indirect inputs other than Level 1 inputs
- Level 3: Unobservable inputs (i.e. not derived from market data).

2 Critical accounting policies (continued)

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

- Biological Produce (Note 13)

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

3 Financial instruments - risk management

The Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

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

- Bank loans
- Deep discount bonds
- Other loans
- Trade receivables
- Cash and cash equivalents
- Finance leases
- Trade and other payables

In addition, at the Company level: Intercompany loans.

The carrying amounts are a reasonable estimate of fair values because of the short maturity of such instruments or their interest bearing nature.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

Notes forming part of the financial statements continued

3 Financial instruments - risk management (continued)

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The liquidity risk of the Group is managed centrally by the group treasury function. Budgets are set and agreed by the board in advance, enabling the Group's cash requirements to be anticipated.

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

At 31 December 2019	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000	Total £'000
Trade and other payables	436	250	-	-	-	686
Other borrowings	12	15	6	-	-	33
Loans and borrowings	2,190	1,539	2,082	-	-	5,811
Deep discount bonds	-	-	3,390	-	-	3,390
Lease liabilities	25	75	100	298	4,185	4,683
Total	2,663	1,879	5,578	298	4,185	14,603

At 31 December 2020	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000	Total £'000
Trade and other payables	426	288	-	-	-	714
Loans and borrowings	51	748	205	7,126	-	8,130
Deep discount bonds	-	5,458	-	-	-	5,458
Lease liabilities	25	75	101	297	4,086	4,584
Total	502	6,569	306	7,423	4,086	18,886

Capital risk management

The Group's objectives when managing capital are to safeguard the Group'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 capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares and increase or decrease debt.

3 Financial instruments - risk management (continued)

Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions and the risk of default by these institutions. The Group reviews the creditworthiness of such financial institutions on a regular basis to satisfy itself that such risks are mitigated. The Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of the cash and cash equivalents as shown in the consolidated statement of financial position.

Credit risk also arises from credit exposure to trade customers included in trade and other receivables.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. The expected loss rates are based on the Group's historical credit losses experienced over the three-year period to the period end. Trade receivable balances are monitored on an ongoing basis to ensure that the Group's bad debts are kept to a minimum. The maximum trade credit risk exposure at 31 December 2020 in respect of trade receivables is £213,000 (2019: £317,000) and due to the prompt payment cycle of these trade receivables, the expected credit loss is negligible at £31,000 (2019: £13,000).

Further disclosures regarding trade and other receivables are provided in note 15.

Interest rate risk

The Group's main debt is exposed to interest rate fluctuations. The Group considers that the risk is not significant in the context of its business plans. Should there be a 0.5% increase in the bank's lending rate, the finance charge in the statement of comprehensive income would increase by £34,000.

4 Revenue and Segmental information

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Wine Sales	1,941	1,525
Other income	168	128
Net revenue	2,109	1,653
Excise duties	185	192
Revenue	2,294	1,845

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.

Notes forming part of the financial statements continued

4 Revenue and Segmental information (continued)

The analysis by geographical area of the Group's revenue is set out as below:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
UK	1,475	1,553
USA	66	130
Other	568	162
	2,109	1,845

The Directors do not consider the Group places reliance on any major customers.

5 Loss from operations

Loss from operations has been arrived at after charging:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Depreciation of property, plant and equipment	647	699
Staff costs expensed to consolidated statement of income	1,037	835
Furlough grant income	(92)	-

6 Auditor's remuneration

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Auditor's remuneration		
- Audit: consolidation and parent	48	48
- Audit: subsidiaries	16	16
	64	64

7 Staff costs

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Staff costs (including Directors) comprise:		
Wages and salaries	1,490	1,283
Social security contributions and similar taxes	124	132
Pension contributions	72	59
	1,686	1,474

7 Staff costs (continued)

£649,000 (2019: £639,000) of the staff costs shown in the table above have been included in crop growing costs for the year as shown in note 13.

The average number of employees of the Group, including Directors, during the year was 51 (December 2019: 43).

Directors' remuneration was as follows:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
The total emoluments of all Directors during the year was:		
Emoluments (including benefits)	247	269
	247	269
Contributions to defined contribution pension plans	11	11
Total	258	280

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Total emoluments for all directors excluding pension contributions:		
A Weeber	-	6
M Paul	48	48
C Holland	87	96
J Pollard	76	84
Lord Arbuthnot PC	-	-
P Bentham	-	-
M Clapp	36	35
I Robinson	-	-
Total	247	269

Notes forming part of the financial statements continued

7 Staff costs (continued)

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Pension contributions		
J Pollard	6	6
C Holland	5	5

The emoluments of the highest paid Director during the year were: 92 101

The total emoluments for C Holland and J Pollard include benefits to the value of £2,000 (2019: £1,000) and £1,000 (2019: £nil) respectively.

The Directors are considered to be key management

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Key management personnel costs were as follows:		
Short term employment benefits	247	269
Social security contributions	20	22
Contributions to defined contribution pension plans	11	11
	278	302

8 Finance expenses

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Finance expenses		
Interest payable on borrowings	442	200
Amortisation of bank transaction costs	33	5
Discount expense on deep discount bond	402	240
Total finance expenses	877	445

9 Taxation

There is no current or deferred tax charge for the year (2019: £nil).

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Loss on ordinary activities before tax	(3,066)	(2,601)
Loss on ordinary activities at the standard rate of corporation tax in the UK for the year of 19% (December 2019: 19%)	(583)	(494)
Effects of:		
Expenses not deductible for tax purposes	148	144
Unprovided deferred tax movements on short term temporary differences	(93)	(116)
Unrecognised losses carried forward	528	466
Tax charge/(credit) for the year	-	-

No deferred tax asset has been recognised on unutilised taxable losses due to the lack of certainty over the taxable profits being available against which deductible temporary differences can be utilised. The unutilised tax losses carried forward are £14,378,000 (December 2019: £11,525,000).

10 Loss per share

Basic earnings per ordinary share are based on a loss of £3,066,000 (December 2019: £2,601,000) and ordinary shares 46,478,619 (December 2019: 45,848,874) of 1 pence each, being the weighted average number of shares in issue during the year.

	Loss £'000	Weighted average number of shares	Loss per Ordinary share pence
Year ended 31 December 2020	(3,066)	46,478,619	(6.60)
Year ended 31 December 2019	(2,601)	45,848,874	(5.67)

Notes forming part of the financial statements continued

10 Loss per share (continued)

Diluted earnings per share are based on a loss of £3,066,000 and ordinary shares of 46,478,619 and no dilutive warrant options.

	Loss £'000	Diluted number of shares	Loss per Ordinary share pence
Year ended 31 December 2020	(3,066)	46,478,619	(6.60)
Year ended 31 December 2019	(2,601)	45,848,874	(5.67)

11 Intangibles

	Goodwill £'000	Brand £'000	Total £'000
Cost			
At 1 January 2020 and 31 December 2020	777	230	1,007
Impairment losses			
At 1 January 2020 and 31 December 2020	-	-	-
Net book value			
At 31 December 2019 and 31 December 2020	777	230	1,007

The carrying value of goodwill and the brand is allocated to the following cash-generating units:

	December 2020 £'000	December 2019 £'000
Gusbourne Estate	1,007	1,007

The brand value is the fair value of the brand name acquired as part of the acquisition of Gusbourne Estate in September 2013, and separately identified as an intangible.

Goodwill is the premium paid to acquire the Gusbourne Estate business over the fair value of its net assets.

Given the long term nature of vineyard establishment and wine production the Group's management prepare long term cash flow forecasts for up to 9 years, and then apply a discount rate to determine the present value of the future cash flows of the cash-generating unit to arrive at the fair value less costs of disposal. Where this amount is lower than the carrying value of the brand and goodwill allocated to the cash-generating unit an impairment

11 Intangibles (continued)

charge is made. The discount rate used is 12.25% (December 2019: 13.8%) based on the Group's estimated weighted cost of capital. A growth rate of 2.5% has been applied over the term of the long term cash flow forecasts. The growth rate used is based on the long term average growth rate of the UK economy.

The discount rate would need to increase to 22% to result in an impairment of the Goodwill.

The fair value of intangibles is categorised as a level 3 recurring fair value measurement.

12 Property, plant and equipment

	Freehold Land and Buildings £'000	Plant, machinery and motor vehicles £'000	Right of use asset £'000	Mature Vineyards £'000	Computer equipment £'000	Total £'000
Cost						
At 1 January 2019	6,866	2,911	-	3,637	84	13,498
Additions - adoption of IFRS 16	-	-	1,488	-	-	1,488
Additions	22	310	626	-	7	965
Disposals	-	(23)	-	-	(1)	(24)
At 31 December 2019	6,888	3,198	2,114	3,637	90	15,927
At 1 January 2020	6,888	3,198	2,114	3,637	90	15,927
Additions	8	234	-	-	12	254
Disposals	-	-	-	-	-	-
At 31 December 2020	6,896	3,432	2,114	3,637	102	16,181

Notes forming part of the financial statements continued

12 Property, plant and equipment (continued)

	Freehold Land and Buildings £'000	Plant, machinery and motor vehicles £'000	Right of use asset £'000	Mature Vineyards £'000	Computer equipment £'000	Total £'000
Accumulated depreciation						
At 1 January 2019	378	1,195	-	348	43	1,964
Depreciation charge for the year	127	412	46	145	15	745
Depreciation on disposals	-	(13)	-	-	-	(13)
At 31 December 2019	505	1,594	46	493	58	2,696
At 1 January 2020	505	1,594	46	493	58	2,696
Depreciation charge for the year	128	362	46	140	16	692
Depreciation on disposals	-	-	-	-	-	-
At 31 December 2020	633	1,956	92	633	74	3,388
Net book value						
At 31 December 2019	6,383	1,604	2,068	3,144	32	13,231
At 31 December 2020	6,263	1,476	2,022	3,004	28	12,793

Within property, plant and equipment are assets with a carrying value of £nil (2019: £27,000) held under finance leases.

Right of use assets comprise land leases on which vines have been planted and property leases from which vineyard operations are carried out. These assets have been created under IFRS 16 – Leases.

13 Biological produce

The fair value of biological produce was:

	December 2020 £'000	December 2019 £'000
At 1 January	-	-
Crop growing costs	1,421	1,510
Fair value of grapes harvested and transferred to inventory	(1,200)	(1,338)
Fair value movement in biological produce	(221)	(172)
At 31 December	-	-

13 Biological produce (continued)

The fair value of grapes harvested is determined by reference to estimated market prices less cost to sell at the time of harvest. The estimated market price for grapes used in respect of the 2020 harvest is £2,300 per tonne (2019: £2,300 per tonne).

A 10% increase in the estimated market price of grapes to £2,530 per tonne would result in an increase of £126,000 (2019: £134,000) in the fair value of the grapes harvested in the year. A 10% decrease in the estimated market price of grapes to £2,070 per tonne would result in a decrease of £126,000 (2019: £134,000) in the fair value of the grapes harvested in the year.

A fair value loss of £221,000 (2019: £172,000 loss) was recorded during the year and included within the consolidated statement of comprehensive income. This measurement of fair value less costs to sell is the deemed cost of the grapes that is transferred into inventory upon harvest.

14 Inventories

	December 2020 £'000	December 2019 £'000
Finished goods	687	440
Work in progress	8,638	7,023
Total inventories	9,325	7,463

During the year £649,000 (December 2019: £547,000) was transferred to cost of sales.

15 Trade and other receivables

	December 2020 £'000	December 2019 £'000
Non current assets		
Other receivables	38	90
	38	90
Current assets		
Trade receivables	213	317
Prepayments	328	361
Other receivables	328	29
Total trade and other receivables	869	707

Trade and other receivables are due within 1 year apart from £38,000 (December 2019: £90,000) included within other receivables which is due in more than 1 year.

Notes forming part of the financial statements continued

15 Trade and other receivables (continued)

Within other receivables there is £289,000 (2019: nil) of cash held in a bank account controlled by PNC as part of the broader PNC facility arrangement. It is recognised in other receivables and is not offset as there was no right or intention to offset at the year end.

The Group undertakes a credit check on any new customers and also monitors the credit worthiness of existing customers. If a customer fails the credit checking process then they are required to make payment up front for any goods or services. At 31 December 2020 the lifetime expected loss provision for trade receivables is 12% (£31,000) – 2019 4% (£13,000). This is based on expected credit losses from previous losses incurred by the Group.

16 Trade and other payables

	December 2020 £'000	December 2019 £'000
Trade payables	315	493
Accruals	329	160
Other payables	70	46
Total financial liabilities, excluding loans and borrowings classified as financial liabilities measured at amortised cost	714	699
Other payables - tax and social security payments	55	53
Total trade and other payables	769	752

Book values are approximate to fair value at 31 December 2020 and 31 December 2019.

17 Loans and borrowings

	December 2020 £'000	December 2019 £'000
Current liabilities		
Bank loans	-	34
Other loans	544	3,345
Deep Discount Bonds	5,132	-
	5,676	3,379
Non current liabilities		
Bank loans	6,796	2,025
Unamortised bank transaction costs	(183)	-
Deep Discount Bonds	-	3,001
Total loans and borrowings	6,613	5,026

**17 Loans and borrowings
(continued)**

The bank loan of £6,613,000 shown above is net of transaction costs of £183,000 which are being amortised over the life of the loan.

On 1 June 2020 Gusbourne Estate Ltd entered into an agreement with PNC Business Credit for up to £10,500,000 of asset-based lending facilities. The PNC facilities are provided on a revolving basis over a minimum period of 5 years and allow flexible drawdown and repayments in line with the Company's working capital requirements. The interest rate is at the annual rate of 3 per cent over the Bank of England Base Rate. The facilities are secured by way of first priority charges over the Company's inventory, receivables and freehold property as well as an all assets debenture.

On completion approximately £4.6m of the PNC Facilities was drawn down by Gusbourne Estate Limited with approximately £2.1m being used to repay the existing secured Barclays bank facilities in full and £1.3m used to part repay existing short term loans. The balance of £1.2m was drawn down for working capital purposes.

Of the £1.3m drawdown at completion to part repay existing short-term loans, £0.8m was used to part repay a short-term loan of £1.25m received on 23 December 2019 from Franove Holdings Limited. £0.5m was used to part repay a short-term loan of £2.0m received on 31 May 2019 from a company controlled by Lord Ashcroft. Following these repayments Franove Holdings Limited has agreed to extend the repayment date of its outstanding loan of £0.5m to 15 August 2021, at the same 15% rate of interest, with the loan becoming secured behind PNC at the same ranking as the existing outstanding deep discount bonds issued by the Company. Gusbourne Estate Limited has also agreed with Franove that in the event it seeks to repay its loans (excluding its PNC facilities) further, the repayment of the Franove Holdings Limited loan will take priority.

The remaining Lord Ashcroft loan of £1.7m has been refinanced, by a company controlled by him, with a new deep discount bond maturing on 15 August 2021 and with a coupon of 15% per annum rolled quarterly and secured behind PNC at the same ranking as the existing outstanding bonds issued by the Company.

Notes forming part of the financial statements continued

17 Loans and borrowings (continued)

An analysis of the maturity of loans and borrowings is given below:

	December 2020 £'000	December 2019 £'000
Bank and other loans:		
Within 1 year	544	3,379
1-2 years	-	2,025
2-5 years	6,613	-
Deep Discount Bonds:		
Within 1 year	5,132	-
1-2 years	-	3,001
2-5 years	-	-

18 Lease liability

During the period the Group accounted for six leases under IFRS 16. The lease contracts provide for payments to increase each year by inflation or at a fixed rate and on others to be reset periodically to market rental rates. The leases also have provisions for early termination. The weighted average Incremental Borrowing Rate used to calculate the lease liability was 4.25%.

	Land £'000	Plant, machinery and motor vehicles £'000	Total £'000
Net carrying value - 1 January 2020	2,123	33	2,156
Additions	-	-	-
Interest	85	9	94
Payments	(100)	(42)	(142)
Net carrying value - 31 December 2020	2,108	-	2,108

18 Lease liability (continued)

	December 2020 £'000	December 2019 £'000
The lease payments under long term leases liabilities fall due as follows:		
Current lease liabilities	92	123
Non current lease liabilities	2,016	2,033
Total liabilities	2,108	2,156

During the period an interest charge of £85,000 (2019: £87,000) arose on the lease liability in respect of land leases. This interest cost has been added to growing crop costs on the basis that the lease liability solely relates to the production of grapes.

The Groups leases include break clauses. On a case-by-case basis, the Group will consider whether the absence of a break clause exposes the Group to excessive risk. Typically factors considered in deciding to negotiate a break clause include:

- The length of the lease term;
- The economic stability of the environment in which the property is located; and
- Whether the location represents a new area of operations for the Group.

At both 31 December 2020 and 2019 the carrying amounts of lease liabilities are not reduced by the amount of payments that would be avoided from exercising break clauses because on both dates it was considered reasonably certain that the Group would not exercise its right to exercise any right to break the lease.

19 Note supporting statement of cash flows

Cash and cash equivalents for purposes of the statement of cash flows comprises:

	December 2020 £'000	December 2019 £'000
Cash at bank available	261	1,009
Cash on hand	1	-
	262	1,009

Notes forming part of the financial statements continued

19 Note supporting statement of cash flows (continued)

Changes in financing activities are shown in the reconciliation of liabilities from financing transactions below:

	Current loans and borrowings £'000 (Note 17)	Non-current loans and borrowings £'000 (Note 17)	Current lease liabilities £'000 (Note 18)	Non-current lease liabilities £'000 (Note 18)
At 1 January 2019	34	4,820	47	33
Cash flows	3,201	(90)	(125)	-
Non cash flows				
- Interest accruing in period	110	330	87	-
- Loans and borrowings classified as non-current at 31 December 2019 becoming current during 2020	34	(34)	114	(114)
- Adoption of IFRS 16	-	-	-	1,488
- New lease in year recognised under IFRS 16	-	-	-	626
At 31 December 2019	3,379	5,026	123	2,033

19 Note supporting statement of cash flows (continued)

	Current loans and borrowings £'000 (Note 17)	Non-current loans and borrowings £'000 (Note 17)	Current lease liabilities £'000 (Note 18)	Non-current lease liabilities £'000 (Note 18)
At 1 January 2020	3,379	5,026	123	2,033
Cash flows	(1,376)	4,446	(143)	-
Non cash flows				
- Interest accruing in period	270	544	95	-
- Loan refinanced as deep discount bond	(1,729)	1,729	-	-
- Loans and borrowings classified as non-current at 31 December 2019 becoming current during 2020	5,132	(5,132)	17	(17)
At 31 December 2020	5,676	6,613	92	2,016

20 Share capital

	Deferred shares of 49p each Number	Ordinary shares of 1p each Number	£'000
Issued and fully paid			
At 1 January 2019	23,639,762	45,671,683	12,040
Issued for cash during the year	-	806,936	8
At 31 December 2019	23,639,762	46,478,619	12,048
Issued for cash during the year	-	-	-
At 31 December 2020	23,639,762	46,478,619	12,048

The Deferred shares of 49 pence each have no rights attached to them.

Gusbourne PLC has Warrants to subscribe for 2,036,517 Ordinary shares of 1 pence each in issue. These Warrants are exercisable at any time by the Warrant Holder, with an exercise price of 75 pence per share until 31 July 2021. The Warrants are accounted for as a derivative financial liability measured on inception at fair value through profit or loss. On inception, the fair value of the warrants was deemed to be £nil and thus no fair value was recognised.

Unexercised Warrants as at 31 December 2020 amount to 2,036,517 Ordinary Shares of 1 pence each.

Notes forming part of the financial statements continued

21 Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Share premium	The share premium account arose on the issue of shares by the Company at a premium to their nominal value. Expenses of share issues are charged to this account.
Merger reserve	The merger reserve arose on the business combination and is the difference between the nominal value of the shares issued and the market value of the shares acquired.
Retained earnings	The retained earnings represent cumulative net gains and losses recognised in the Group's statement of consolidated income.

22 Related party transactions

Deacon Street Partners Limited is considered a related party by virtue of the fact that Lord Ashcroft KCMG PC, the Company's ultimate controlling party, is also the ultimate controlling party of Deacon Street Partners Limited. During the year Deacon Street Partners Limited charged the Company £70,000 (December 2019 - £84,000) in relation to management services. There was £21,000 due to Deacon Street Partners Limited as at 31 December 2020 (December 2019 - £84,000).

Devonshire Club Limited is considered a related party by virtue of the fact that Lord Ashcroft KCMG PC, the Company's ultimate controlling party, was also the ultimate controlling party of Devonshire Club Limited. During the year the Company sold wine to Devonshire Club Limited amounting to £nil (December 2019 - £4,537). No amounts were due from Devonshire Club Limited at the year end (2019: £nil).

On 18 June 2018, the company lent £50,000 to a director as an interest free loan, repayable by instalments from July 2019. The loan will be repaid in full by May 2024. The balance due from the director as at 31 December 2020 was £44,000 (December 2019 - £47,500).

On 2 September 2016, the Company issued deep discount bonds with a subscription price of £4,073,034 together with 2,036,517 separable warrants to subscribe for Ordinary shares at an exercise price of 75 pence per share. On 30 June 2017 the Company offered Bondholders the opportunity to convert their bonds into new Ordinary shares at an Issue price of 40p. The company announced, on 1 August 2017, that it received final acceptances of 5,136,662 Conversion Offer Shares, raising £2,055,000 and resulting in a reduction of the final redemption amount of the deep discount bonds to £3,390,000. During the year further bonds were issued resulting in the final redemption amount of all deep discount bonds increasing to £5,455,000.

22 Related party transactions (continued)

Details of related parties who subscribed for the deep discount bonds and warrants are shown in the table below:-

Name	Balance as at 31 December 2018	Accrued discount to 31 December 2019	Balance as at 31 December 2019	Subscription price as at 1 June 2020	Accrued discount to 31 December 2020	Balance as at 31 December 2020
Lord Ashcroft						
KCMG PC	1,383,306	120,037	1,503,343	1,729,349	282,620	3,515,312
A Weeber	751,935	65,249	817,184	-	65,421	882,605
	2,135,241	185,286	2,320,527	1,729,349	348,041	4,397,917

Warrants exercisable at 75 pence each

Name	Held as at 31 December 2020 Number	Held as at 31 December 2019 Number
Lord Ashcroft KCMG PC	1,311,517	1,311,517
A Weeber	300,000	300,000
I Robinson	50,000	50,000
Lord Arbuthnot PC	5,000	5,000
M Paul	5,000	5,000
M Clapp	5,000	5,000
	1,676,517	1,676,517

23 Post balance sheet events

There were no subsequent events materially impacting the financial statements.

Parent company financial statements

Company balance sheet

at 31 December 2020

	Note	December 2020 £'000	December 2019 £'000
Assets			
Non-current assets			
Investments	4	21,600	21,600
Other receivables	5	2,125	3,027
Current assets			
Trade and other receivables	5	100	27
Cash and cash equivalents		33	20
Total assets		23,858	24,674
Current liabilities			
Trade and other payables	6	(157)	(229)
Loans and borrowings	7	(5,132)	(2,105)
Non-current liabilities			
Loans and borrowings	7	-	(3,001)
Total liabilities		(5,289)	(5,335)
Net assets		18,569	19,339
Issued capital and reserves attributable to owners			
Share capital	8	12,048	12,048
Share premium	9	10,915	10,915
Retained earnings	9	(4,394)	(3,624)
Total equity		18,569	19,339

In accordance with Section 408 of the Companies Act 2006, the Company has not presented its own income statement in these financial statements. The Company results for the year include a loss after tax and before dividends payable of £770,000 (2019: £599,000) which is dealt with in the consolidated financial statements of the Group.

The financial statements were approved and authorised for issue by the Board on 4 June 2021 and were signed on its behalf by Ian Robinson.

Ian Robinson

Secretary and Non-Executive Director

The notes on pages 76 to 78 form part of these financial statements

Statement of cash flows

for the year ended 31 December 2020

	Note	31 December 2020 £'000	31 December 2019 £'000
Cash flows from operating activities			
Loss for the year before tax		(770)	(599)
Adjustments for:			
Finance expense		402	345
(Decrease) / Increase in trade and other payables	6	(72)	88
Increase in trade and other receivables		(71)	(2)
Cash outflow from operations		(511)	(168)
Investing activities			
Decrease/ (Increase) in Intercompany loan	5	900	(3,010)
Increase in investments		-	(400)
Net cash from investing activities		900	(3,410)
Financing activities			
Issue of ordinary shares		-	485
Share issue expenses		-	-
New loans issued		-	2,000
Repayment of loans		(376)	-
Net cash from financing activities		(376)	2,485
Net increase/(decrease) in cash and cash equivalents		13	(1,093)
Cash and cash equivalents at the beginning of the year		20	1,113
Cash and cash equivalents at the end of the year		33	20

The notes on pages 76 to 78 form part of these financial statements.

Statement of changes in equity

for the year ended 31 December 2020

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total attributable to equity holders £'000
1 January 2019	12,040	10,438	(3,025)	19,453
Comprehensive loss for the year	-	-	(599)	(599)
Contributions by and distributions to owners:				
Share issue	8	477	-	485
31 December 2019	12,048	10,915	(3,624)	19,339
1 January 2020	12,048	10,915	(3,624)	19,339
Comprehensive loss for the year	-	-	(770)	(770)
31 December 2020	12,048	10,915	(4,394)	18,569

The notes on pages 76 to 78 form part of these financial statements.

Notes forming part of the company financial statements

for the year 31 December 2020

1 Accounting policies

Gusbourne Plc (“the Company”) is a company limited by shares and registered in England and Wales with the registered number 08225727. The Company’s registered office is Gusbourne, Kenardington Road, Appledore, Ashford, Kent, TN26 2BE.

The following principal accounting policies have been applied:

Basis of preparation

The parent company financial statements are prepared under international accounting standards in conformity with the requirements of the Companies Act 2006. . The Company’s accounting policies are aligned with the Group’s accounting policies as described in note 1 of the Group’s consolidated financial statements. Additional accounting policies are noted below.

Investment in subsidiaries

The company has an investment in two subsidiaries. Investments are valued at cost, less allowances for impairment. Impairment reviews are performed annually.

2 Credit risk

The Company is exposed to credit risk in respect of the loans recoverable from other Group companies amounting to £2,087,000 (2019: £2,987,000) and will only be repaid once the Group companies are profitable.

3 Directors and employees

The average number of staff employed by the Company during the year (comprising solely of Directors) was 9 (2019 - 8).

Details of the emoluments of the Directors can be found in note 7 of the consolidated financial statements.

4 Investments

The following were the subsidiary undertakings at the end of the year:

Name	Country of incorporation	Proportion of ownership interest at 31 December 2020
Gusbourne Estate Limited	England and Wales	100%
Gusbourne Wines Limited	England and Wales	100%

Gusbourne Estate Limited is involved in the production, sale and distribution of English sparkling wine. Gusbourne Wines Limited is dormant.

The registered address of Gusbourne Estate Limited and Gusbourne Wines Limited is Kenardington Road, Appledore, Kent TN26 2BE.

5 Trade and other receivables

	December 2020 £'000	December 2019 £'000
Non-current assets		
Trade and other receivables	38	40
Amounts due from group undertakings	2,087	2,987
Total non current assets	2,125	3,027
Current assets		
Trade and other receivables	63	12
Prepayments and accrued income	37	15
Total current assets	100	27
	2,225	3,054

The amount due from group undertakings is repayable on demand, however given the long term development strategy of the Group, it is not expected to be received within 12 months.

Included in trade and receivables is an amount due from a director of £44,000 (2019: £47,000). £6,000 is due within one year and £38,000 is due for repayment by July 2024. Further details are shown in note 11.

6 Trade and other payables

	December 2020 £'000	December 2019 £'000
Current liabilities		
Trade payables	47	149
Accruals and deferred income	110	80
	157	229

7 Loans and borrowings

	December 2020 £'000	December 2019 £'000
Non current liabilities		
Other loans	-	2,105
Deep Discount Bonds	5,132	3,001
	5,132	5,106

Details of the loans and borrowing are shown in note 17 in the Group's financial statements.

Notes forming part of the company financial statements continued

- 8 Share Capital** Details of the share capital of the Company are included in note 20 to the Group's financial statements.
- 9 Reserves** Details of the nature and purpose of each reserve within equity are shown in note 21 to the Group's financial statements.
- 10 Ultimate controlling party** In the opinion of the Directors the ultimate controlling party at 31 December 2020 is Lord Ashcroft KCMG PC.
- 11 Related party transactions** Deacon Street Partners Limited is considered a related party by virtue of the fact that Lord Ashcroft KCMG PC, the Company's ultimate controlling party, is also the ultimate controlling party of Deacon Street Partners Limited. During the year Deacon Street Partners Limited charged the Company £70,000 (December 2019 - £84,000) in relation to management services. There was £21,000 due to Deacon Street Partners Limited as at 31 December 2020 (December 2019 - £84,000).
- On 18 June 2018, the company lent £50,000 to a director as an interest free loan, repayable by instalments from July 2019. The loan will be repaid in full by May 2024. The balance due from the director as at 31 December 2020 was £44,000 (December 2019 - £47,500).
- Details of related parties who subscribed for the deep discount bonds and warrants are included in note 22 to the Group's financial statements.
- 12 Subsequent events** There were no subsequent events materially impacting the financial statements.

Company information

Country of incorporation of parent company

England and Wales

Legal form

Public limited company

Directors

J Ormonde (Non-Executive Chairman)
A C V Weeber (Non-Executive Director)
M A K Paul (Non-Executive Deputy Chairman)
C E Holland (Chief Executive Officer)
J D Pollard (Chief Operating Officer)
Lord Arbuthnot PC (Non-Executive Director)
P G Bentham (Non-Executive Director)
M D Clapp (Non-Executive Director)
I G Robinson (Non-Executive Director)

Secretary and registered office

I G Robinson
Gusbourne
Kenardington Road
Appledore
Ashford
Kent
TN26 2BE

Company number

08225727

Auditors

BDO LLP
55 Baker Street
London
W1U 3EU

Nominated adviser and Joint Broker

Canaccord Genuity Limited
88 Wood Street
London
EC2V 7QR

Joint Broker

Panmure Gordon (UK) Limited
One New Change
London
EC4M 9AF

Solicitors

Fieldfisher LLP
Free Trade Exchange Level 5
37 Peter Street
Manchester
M2 5GB

Bankers

Barclays Bank PLC
30 Tower View
Kings Hill
Kent
ME19 4UY

PNC Financial Services UK Ltd
34-36 Perrymount Road
Haywards Heath
RH16 3DN

Registrars

Link Asset Services
34 Beckenham Road
Beckenham
Kent
BR3 4TU

