Gusbourne PLC

Report and financial statements
for the year ended 31 December 2016

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> "2016 has been another successful year of growth and development for the Group"

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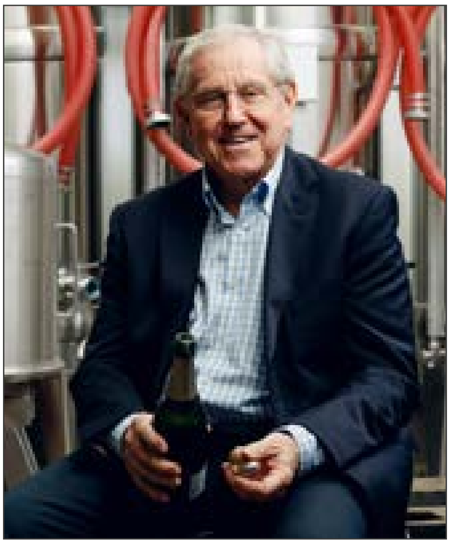

"In 2016 our sales increased by 35 per cent"

Chairman's statement

I am pleased to report that 2016 was another successful year of further growth and development for the Group, in line with our long-term plans. The Gusbourne business was established over ten years ago in 2004 and has been selling its award winning English sparkling wines since 2010. Sales have continued to grow steadily in line with product availability and in 2016 our sales increased by 35 per cent compared with 2015. Gusbourne remains one of England's premier sparkling wine businesses and is focused at the luxury end of the market.

Highlights of 2016 include:

- A successful harvest in October 2016 in terms of both yield and quality, which has added to our wine stocks for future sale. The harvest included the first fruit from the vines planted on our sites in 2014.
- Appointment of renowned United States based specialist wine importer, Broadbent Selections, with the first consignment of wine dispatched to the US in July 2016.
- Continued success in major international wine competitions, including a number of prestigious awards for Gusbourne sparkling wines in the United States.
- Ongoing investment in the Group's growing asset base including vineyards, wine inventories, buildings, plant and machinery and the award winning Gusbourne brand.

Finally, I should like to express my sincere thanks for the dedicated efforts of our employees, our loyal customers and last, but not least, the support of our shareholders in helping the Group achieve another successful year of growth and development in the business.

Andrew Weeber

Chairman

A successful harvest in October 2016
in terms of both yield and quality.

Gusbourne is dedicated to the production of premium sparkling wines from grapes grown exclusively in its own vineyards.

Chief Executive's review

"The Gusbourne sparkling wine products remain at the luxury end of the English sparkling wine market and we remain committed to maintaining this premium position"

Introduction

I am pleased to report that 2016 has been another successful year of growth and development for the Group in line with our long term strategic development plans. Sales of £640,000 (2015: £473,000) are up 35% on the prior year and we continue to widen our distribution channels both in the UK and overseas.

The Gusbourne sparkling wine products remain at the luxury end of the English sparkling wines market and we remain committed to maintaining this premium position. We started exporting to the United States in July 2016 and have been delighted that the quality of our products has been recognised in this exciting new market for us by a number of prestigious awards for Gusbourne sparkling wines in the United States, as referred to below.

Activities

Gusbourne PLC ("the Company") is engaged, through its wholly owned subsidiary Gusbourne Estate Limited (together the "Group"), in the production and distribution of a range of high quality and award-winning English sparkling wines from grapes grown in its own vineyards in Kent and West Sussex. The majority of the Group's mature vineyards are located at its freehold estate at Appledore in Kent where the winery is also based. The Group now has a total of 231 acres of vineyards with the first plantings dating back to 2004 and the most recent plantings in 2015.

Gusbourne Wines

Gusbourne is dedicated to the production of premium sparkling wines from grapes grown exclusively in its own vineyards. Our processes, both in establishing and maintaining the vineyards and in making wine, continue to follow the rigorous principles of careful site selection and attention to detail in all aspects of viticulture and wine production. An integral part of the Group's approach is to age its traditional method sparkling wines for as long as is necessary for the wines to meet optimum maturity. The average production cycle for the wines is four years from harvest to sale.

Recent awards

Gusbourne continues to enjoy success in major international wine competitions. In May 2016 Gusbourne was awarded two Platinum Medals at the Decanter World Wine Awards ("DWWA") 2016. The wines recognised by the DWWA tasting panel were

Gusbourne Blanc de Blancs 2011, which won the trophy for the "Best English Sparkling Wine", and Gusbourne Pinot Noir 2014, which won the trophy for the "Best English Red Wine". In April 2016, Gusbourne Blanc de Blancs 2011 and Gusbourne Brut Reserve 2011 also won Gold Medals at the 2016 Sommelier Wine Awards.

In December 2016 Gusbourne was the highest rated English sparkling wine by the Wine Enthusiast magazine tasting panel, a leading wine magazine in the United States.

The year 2016 was capped with Gusbourne Blanc de Blancs 2012 being voted one of Decanter Magazine's 'Most exciting wines of 2016'.

2017 to date has continued with this success and brought further awards. In the United States, Gusbourne became the first English wine to win a double Gold medal at the TEXSOM awards (one of the most influential wine competitions in the United States) for the Gusbourne Blanc de Blancs 2013 and Gusbourne Brut Reserve 2013 which also won the Best in Class trophy.

In May 2017, Gusbourne won another double Gold at the International Wine Challenge as well as a double Gold at the International Wine and Spirits Competition (IWSC) for the Gusbourne Blanc de Blancs 2012 and Gusbourne Blanc de Blancs 2013. In May 2017 Gusbourne was awarded a Platinum medal at the Decanter World Wine Awards ("DWWA") 2017 for the Gusbourne Pinot Noir 2015, claiming consecutive Best English Red Wine trophies.

Development strategy

Meeting growing customer demand for the Gusbourne wines requires careful long-term planning and key elements of the Group's development strategy include:

- Continuing to produce wines of exceptional quality from grapes grown in our own vineyards;
- The ongoing development and evolution of the award winning Gusbourne brand;
- The further development of the Company's distribution channels, including the promotion of exports as a significant contributor to sales;
- The opening of a cellar door operation at the Company's winery in Kent during the summer of 2017. This will allow visitors to enjoy vineyard and winery tours and taste our award-winning wines. It will also help to promote a closer and more direct relationship with our customers.
- The investment in additional plant and machinery to keep pace with production growth.

2016 Harvest

Our 2016 harvest was successfully completed in October. The quality of the grapes was excellent, with optimum levels of natural sugar and acidity, both of which met our own exacting quality standards. The high quality of grapes harvested in the year bodes well for 2016 becoming another great vintage for Gusbourne. Yield volumes were good and in line with expectations and the resulting wine production has added further to our inventory levels for sale in future years.

Results for the year

Sales for the year amounted to £640,000 (2015: £473,000) an increase of 35% over the prior year. Whilst these sales continue to reflect limited stock availability at this time, they do represent a consecutive like for like growth in the sale of Gusbourne wines since 2013. Administrative expenses of £1,385,000 (2015: £1,176,000), including depreciation of £357,000 (2015: £267,000) reflect continuing investment in the development and growth of the business and the Gusbourne brand in particular.

Chief Executive's review continued

EBITDA for the year was a loss of £802,000 (2015: £856,000). The operating loss for the year after depreciation and amortisation was £1,159,000 (2015: £1,123,000). The loss before tax was £1,528,000 (2015: £1,426,000) after net finance costs of £369,000 (2015: £303,000).

These planned losses continue to be in line with expectations and the long-term development strategy of the Group.

Balance Sheet

The changes in the Group's balance sheet during the year reflect expenditure on the ongoing investment in, and development of, the Group's business, net of income from wine sales. This expenditure includes the ongoing investment in the vineyards established in West Sussex and Kent between 2013 and 2015. This investment in vineyards is reflected in capital expenditure during the year of £338,000 (2015: £786,000).

In addition, the Group invested in additional plant and equipment for the vineyards and the winery amounting to £363,000 (2015: £461,000) and in buildings of £414,000 (2015: £664,000). Total assets at 31 December 2016 of £14,621,000 (2015: £13,481,000) include freehold land and buildings of £5,543,000 (2015: £5,198,000), vineyards of £3,256,000 (2015: £2,972,000), inventories of wine stocks amounting to £2,247,000 (2015: £1,711,000), and £1,123,000 of cash (2015: £1,328,000). Intangible assets of £1,007,000 (2015: £1,007,000) arose on the acquisition of the Gusbourne Estate business on 27 September 2013.

The Group's net tangible assets at 31 December 2016 amount to £6,825,000 (2015: £8,353,000) and represent 87% of total equity (2015: 89%). Net tangible assets per share at 31 December 2016 were 28.9 pence per share (2015: 35.3 pence). The reduction of net tangible assets per share in the year reflects the planned losses incurred during 2016 in line with the long-term development strategy of the Group. However, it is important to note that these net tangible assets figures do not necessarily reflect underlying asset values, in particular in respect of the Group's inventories, which are reported at the lower of cost and net realisable value. These inventories are expected to grow significantly until the Group reaches full production maturity, bearing in mind the long production cycle in relation to sparkling wine and related vineyard establishment. The anticipated underlying surplus of net realisable value over cost of these wine inventories, which is not reflected in these accounts and in the net tangible assets per share quoted above, will become an increasingly significant factor of the Group's asset base as the inventories continue to grow.

Financing

The Group's activities are financed by shareholders equity, loans, other borrowings and convertible bonds. Loans, other borrowings and convertible bonds at 31 December 2016 amount in total to £6,537,000 (2015: £3,952,000) and represent 83% of total equity (2015: 42%).

On 20 July 2016, the Company announced its intention to place 5 year secured deep discount bonds at a discount of 9% per annum ("Bonds"). The Company also announced that it would issue share warrants ("Warrants") to Bond holders at the rate of one Warrant for every £2 of the Bonds. Each Warrant will, upon exercise, entitle the holder to subscribe for one new ordinary share in the Company at an exercise price of 75 pence per share. On 1 September 2016, the Company announced that it had received applications from investors to subscribe for Bonds totaling £4,073,034 and that all of these applications had been accepted in full. Following the repayment of the existing convertible bonds held by Andrew Weeber and his wife, the net cash proceeds received by the Company amounted to approximately £2,318,000. The net cash proceeds were used for working capital, and capital expenditure in line with the Company's long-term strategy to further expand production and sales of its international award winning English sparkling wines.

On 6 June 2017, the Company announced an Open Offer, which will be underwritten by the Company's principal shareholder Lord Ashcroft KCMG PC, providing shareholders with the opportunity to subscribe for an aggregate of 10,506,560 new Ordinary Shares, to raise an additional £4.2m before expenses. Shareholders will be provided with a basic entitlement of four new Ordinary Shares for every nine existing Ordinary Shares, at 40 pence per share. On 6 June 2017 the Company also announced a short-term loan from Lord Ashcroft KCMG PC of £1,000,000 which will be offset against Lord Ashcroft KCMG PC's subscription under the Open Offer. The proceeds from this loan and the Open Offer will be used for working capital, and capital expenditure in line with the Company's long-term strategic plan.

On 6 June 2017, the Company also announced its intention, shortly after the Company's Annual General Meeting on 29 June 2017, to offer holders of the Bonds the opportunity to convert all or part of their Bonds into ordinary shares in the Company at a conversion price of 40 pence per ordinary share, the same price as that offered to shareholders in the Open Offer. If holders of Bonds opt to convert Bonds into ordinary shares in the Company, their Warrants will be unaffected. This offer is subject to the necessary allotment powers being approved at a General Meeting to be held on 29 June 2017, prior to the Company's Annual General Meeting. The purpose of this offer to Bond holders is to strengthen the Company's balance sheet and increase the funding options available to it in the future.

The achievement of the Group's long-term development strategy will depend on the raising of further equity and/or debt funds to achieve those goals. The production of premium quality wine from new vineyards is, by its very nature, a long-term project. It takes four years to bring a vineyard into full production and a further four years to transform these grapes into Gusbourne's premium sparkling wine. Additional funding will be sought by the Company over the coming few years to fund ongoing growth in the Company's operations and asset base, in line with its development strategy.

Current trading and outlook

The Group's trading in 2017 remains in line with expectations and its long term strategic development plan. Gusbourne's luxury sparkling wines continues to win new sales orders from an expanding base of valued customers both in the UK and overseas. We look forward in particular to the opening of our cellar door operations during the Summer of 2017 and welcoming visitors to it.

The growing season in 2017 has started well although there has been some minor frost damage to our vines in both Kent and West Sussex as a result of an unusually cold spell at the beginning of the season. The vines will remain subject to the normal seasonal climatic and disease risks throughout the remaining part of the growing season.

Chief Executive's review continued

Finally, I would like to thank all our employees for their hard work, dedication, and attention to detail in applying their considerable skills and talents to the production and sale of our award-winning wines.

Principal risks and uncertainties

Details of these are shown on page 16.

Charlie Holland

Chief Executive

Key Performance Indicators

Years ended 31 December	2016 £'000	2015 £'000	2014 £'000
Sales	**640**	**473**	**434**
EBITDA*	**(802)**	**(856)**	**(786)**

Investment in tangible assets			
Investment in vineyard establishment	338	786	588
Investment in freehold land and buildings	414	664	14
Investment in plant, machinery, vehicle and other equipment	364	473	145
Investment in property, plant and equipment	**1,116**	**1,923**	**747**
Increase in inventories	536	276	125
Total investment in tangible assets	**1,652**	**2,199**	**872**

At 31 December	2016 £'000	2015 £'000	2014 £'000
Net assets			
Freehold land and buildings	5,543	5,198	4,578
Vineyards	3,256	2,972	2,236
Plant, machinery, vehicle and other equipment	1,131	1,001	715
Total non-current assets	**9,930**	**9,171**	**7,529**
Inventories	2,247	1,711	1,435
Net working capital (current receivables less current payables)	62	95	(123)
Cash	1,123	1,328	1,842
Net tangible assets before debt	**13,362**	**12,305**	**10,683**
Bonds, loans and other borrowings	(6,537)	(3,952)	(3,866)
Net tangible assets	**6,825**	**8,353**	**6,817**
Goodwill	1,007	1,007	1,007
Net assets and equity	**7,832**	**9,360**	**7,824**

Key balance sheet ratios			
Net tangible assets as a percentage of total equity	**87%**	**89%**	**87%**
Gearing (Debt as percentage of equity)	**83%**	**42%**	**49%**
Number of shares in issue	**23,639,762**	**23,639,762**	**17,853,276**
Net tangible assets per share (pence)	**28.9**	**35.3**	**38.2**

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


GUSBOURNE
GUSBOURNE

Gusbourne continues to enjoy success in major international wine competitions including a number of prestigious awards in the United States, an exciting new market for our sparkling wines.

Principal risks and uncertainties

Financing

The Group plans to raise further equity and/or debt funds in the future to fund the Group's development 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's 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 development 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 exports as a significant contribution to sales will also mitigate this competitive risk in the UK market.

EU Referendum

Following the result of the EU referendum there is some general uncertainty regarding the impact of this result on companies operating in the UK.

The strategic report on pages 4 to 16 has been approved by the Board and signed on its behalf by:

Charlie Holland

Chief Executive Officer

Board of Directors

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

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 is a key opinion leader in the English wine industry, and is closely involved with the English Wine Producers Association.

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.

Mike Paul, Non-Executive Deputy Chairman

Member of the Audit, Remuneration and Nomination Committees

Mike joined the board on 26 October 2016 and works closely with Andrew Weeber in his role as Chairman. Mike also heads up the sales and marketing function of the business and will help further develop the distribution of Gusbourne's premium sparkling wines both in the UK and in additional overseas markets as the Company's production volumes increase over the coming years.

Mike is currently a director of Piekineerskloof Wine Company and 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 established the South African brand, Kumala, and Chilean wine Cono Sur.

Charlie Holland BA, BSc, Chief Winemaker and Chief Executive Officer

Charlie, who has been head of wine making at Gusbourne for over four years, joined the board on 26 October 2016 as Chief Winemaker and Chief Executive Officer. He will remain responsible for winemaking at Gusbourne but also represent the Company as its Chief Executive Officer and manage 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.

Board of Directors (continued)

Jon Pollard, BSc, Chief Vineyard Manager and Chief Operating Officer

Jon has been the vineyard manager at the Gusbourne Estate since the first vines were planted twelve years ago in 2004. He joined the board on 26 October 2016 as Chief Vineyard Manager and Chief Operating Officer. He will continue to be responsible for Gusbourne's vineyards and work 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 past twelve 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

Chairman of the Remuneration and Nomination Committees and member of the Audit Committee

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 a Senior Associate Fellow of the Royal United Services Institution (RUSI).

He is chairman of the Advisory Board of the defence company Thales (UK), a director, with Sir John Scarlett and Lord Carlile, of SC Strategy Ltd and an adviser to Babcock International, Pure Storage and other companies. He is Chairman of Susan Greenfield's Neuro-Bio Ltd, a company conducting ground-breaking research into Alzheimer's Disease.

Paul Bentham, Non-Executive Director

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.

Matthew Clapp BA, MBA, Non–Executive Director

Member of the Audit, Remuneration and Nomination Committees

Matthew is a non-executive director of Shutdown Maintenance Services Ltd, a director of MDC Consulting Limited and a committee member for The Square Mile Salute, an annual fundraising event, designed to promote philanthropy in the city of London and raise money for a selection of charities.

Matthew has worked in the markets for high end real estate developments, private members clubs and financial services for over a decade.

Ian Robinson BA, FCA, Non–Executive Director

Chairman of the Audit Committee and member of the Remuneration and Nomination Committees

Ian is currently non–executive Chairman of Jaywing Plc, an AIM listed marketing agency business focussed on data science, and a non-executive director of TLA Worldwide Plc, an AIM listed athlete representation and sports marketing business. He is non-executive Chairman of LT Pub Management Plc, a privately owned pub and leisure asset management business. He is also a director of a number of other privately owned businesses.

Previously he was chief financial officer of Carlisle Group's UK staffing and facilities services operations. 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, having trained with Peat, Marwick, Mitchell & Co (now KPMG) in London.

Report of the Directors

for the year ended 31 December 2016

The Directors present their report together with the audited financial statements for the year ended 31 December 2016.

The Directors have put in place appropriate governance structures and provide information which would be expected for companies listed on the Alternative Investment Market of the London Stock Exchange. However, the Company is not required to comply with the UK Corporate Governance Code (the "Code"), as published by the Financial Reporting Council, so this report does not describe compliance with or departures from the Code.

Results and dividends

The consolidated statement of comprehensive income is set out on page 23 and shows the result for the year. No dividend was declared (December 2015: £Nil).

Principal activities

The principal activities of Gusbourne PLC ("the Company") and its subsidiaries ("the Group") comprise the production, sale and distribution of 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 4 and in the Chief Executive's review on pages 8 to 12. Principal risks and uncertainties are shown on page 16.

Post balance sheet events

Details of post balance sheet events are shown in note 24 to the financial statements.

Directors

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

Andrew Weeber
(Non-Executive Chairman)

Mike Paul
(appointed 26 October 2016)
(Non-Executive Deputy Chairman)

Ben Walgate
(resigned 20 June 2016)
(Chief Executive)

Charlie Holland
(appointed 26 October 2016)
(Chief Executive Officer)

Jon Pollard
(appointed 26 October 2016)
(Chief Operating Officer)

Lord Arbuthnot PC
(Non-Executive Director)

Paul Bentham
(Non-Executive Director)

Matthew Clapp
(Non-Executive Director)

Ian Robinson
(Non-Executive Director)

The beneficial interest of Directors who held office at 31 December 2016 in the share capital of the Company are shown below:

Ordinary shares of 50p each

	Dec 2016	Dec 2015
Andrew Weeber	2,722,221	2,722,221
Paul Bentham	855,036	855,036
Ian Robinson	114,019	114,019
Lord Arbuthnot PC	20,000	20,000
Matthew Clapp	20,000	20,000
Jon Pollard	129	-

Corporate governance

The Remuneration Committee comprises Lord Arbuthnot PC (Chairman since 10 March 2016), Andrew Weeber, Paul Bentham (Chairman to 10 March 2016), Matthew Clapp (member since 10 March 2016), Ian Robinson and Mike Paul (since 26 October 2016) 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

Report of the Directors continued

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), Andrew Weeber, Lord Arbuthnot PC (member since 10 March 2016), Paul Bentham, Matthew Clapp (member since 10 March 2016) and Mike Paul (since 26 October 2016) 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 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 PC (Chairman since 10 March 2016), Andrew Weeber, Paul Bentham (Chairman to 10 March 2016), Matthew Clapp (member since 10 March), Ian Robinson and Mike Paul (since 26 October 2016) 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.

Substantial shareholdings

Current shareholdings in excess of 3%:

Shareholder	Shareholding
Lord Ashcroft KCMG PC	64.4%
Andrew Weeber	11.5%
Paul Bentham	3.6%

At 31 December 2016 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 2015: £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 35 to 37.

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 Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- 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.

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: 6 June 2017

Report of the independent auditors
for the year ended 31 December 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GUSBOURNE PLC

We have audited the financial statements of Gusbourne PLC for the year ended 31 December 2016 which comprise the consolidated and parent company statement of financial position, the consolidated statement of comprehensive income, the consolidated and parent company statements of cash flows, the consolidated and parent company statements of changes in equity and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with sections Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2016 and of the Group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the 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.

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

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

Geraint Jones
(senior statutory auditor)
For and on behalf of BDO LLP,
statutory auditor
London

Date: 6 June 2017

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 2016

	Note	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Revenue		**640**	473
Cost of sales		**(423)**	(325)
Gross profit		**217**	148
Fair value movement in biological produce	13	**9**	(95)
Administrative expenses		**(1,385)**	(1,176)
Loss from operations	5	**(1,159)**	(1,123)
Finance income	8	**13**	22
Finance expenses		**(382)**	(210)
Exceptional items		**-**	(115)
Total finance expenses	8	**(382)**	(325)
Loss before tax		**(1,528)**	(1,426)
Tax expense	9	**-**	-
Loss for the year attributable to owners of the parent		**(1,528)**	(1,426)
Total comprehensive loss attributable to owners of the parent		**(1,528)**	(1,426)
Loss per share attributable to the ordinary equity holders of the parent:	10		
Basic and diluted (pence)		**(6.46)**	(6.83)

The notes on pages 28 to 51 form part of these financial statements.

Consolidated statement of financial position

at 31 December 2016

	Note	31 December 2016 £'000	31 December 2015 £'000
Assets			
Non-current assets			
Intangibles	11	**1,007**	1,007
Property, plant and equipment	12	**9,930**	9,171
		10,937	10,178
Current assets			
Biological produce	13	**-**	-
Inventories	14	**2,247**	1,711
Trade and other receivables	15	**314**	264
Cash and cash equivalents		**1,123**	1,328
		3,684	3,303
Total assets		**14,621**	13,481
Liabilities			
Current liabilities			
Trade and other payables	16	**(252)**	(169)
Finance leases	18	**(51)**	(41)
Loans and borrowings	17	**(34)**	(34)
		(337)	(244)
Non-current liabilities			
Loans and borrowings	17	**(6,322)**	(2,161)
Finance leases	18	**(130)**	(133)
Convertible deep discount bonds	19	**-**	(1,583)
		(6,452)	(3,877)
Total liabilities		**(6,789)**	(4,121)
Net assets		**7,832**	9,360

	Note	31 December 2016 £'000	31 December 2015 £'000
Issued capital and reserves attributable to owners of the parent			
Share capital	21	**11,820**	11,820
Share premium	22	**815**	815
Merger reserve	22	**(13)**	(13)
Convertible bond reserve	22	**-**	95
Retained earnings	22	**(4,790)**	(3,357)
Total equity		**7,832**	9,360

The financial statements on pages 23 to 51 were approved and authorised for issue by the Board of Directors on 6 June 2017 and were signed on its behalf by:

Andrew Weeber — **Non-Executive Chairman**

Charlie Holland — **Chief Executive Officer**

The notes on pages 28 to 51 form part of these financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2016

	Note	31 December 2016 £'000	31 December 2015 £'000
Cash flows from operating activities			
Loss for the year before tax		**(1,528)**	(1,426)
Adjustments for:			
Depreciation of property, plant and equipment	12	**357**	267
Finance expense	8	**382**	325
Finance income	8	**(13)**	(22)
Fair value movement in biological produce	13	**(9)**	95
(Increase) in trade and other receivables		**(60)**	(56)
Increase in inventories		**(536)**	(371)
Increase /(decrease) in trade and other payables		**109**	(137)
Cash outflow from operations		**(1,298)**	(1,325)
Investing activities			
Purchases of property, plant and equipment, excluding vineyard establishment	12	**(778)**	(1,137)
Investment in vineyard establishment	12	**(338)**	(786)
Sale of property, plant and equipment		**-**	14
Interest received		**-**	9
Net cash from investing activities		**(1,116)**	(1,900)
Financing activities			
Drawdown of bank loan		**-**	170
Capital loan repayments		**(34)**	-
Issue of Deep Discount Bond	17	**4,073**	-
Repayment of Convertible Deep Discount Bond	19	**(1,755)**	-
Finance lease agreements entered into		**53**	181
Repayment of finance leases		**(46)**	(24)
Interest paid		**(82)**	(74)
Issue of ordinary shares	21	**-**	2,504
Share issue expenses		**-**	(46)
Net cash from financing activities		**2,209**	2,711
Net increase/(decrease) in cash and cash equivalents		**(205)**	(514)
Cash and cash equivalents at the beginning of the year		**1,328**	1,842
Cash and cash equivalents at the end of the year		**1,123**	1,328

The notes on pages 28 to 51 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2016

	Share capital £'000	Share premium £'000	Merger reserve £'000	Convertible bond reserve £'000	Retained earnings £'000	Total attributable to equity holders of parent £'000
1 January 2015	**8,927**	**815**	**(13)**	**95**	**(2,000)**	**7,824**
Shares issued	2,504	-	-	-	-	2,504
Shares issued on conversion of bond (note 19)	389	-	-	-	115	504
Share issue expenses	-	-	-	-	(46)	(46)
Comprehensive loss for the year	-	-	-	-	(1,426)	(1,426)
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**(1,357)**	**(1,357)**
31 December 2015	**11,820**	**815**	**(13)**	**95**	**(3,357)**	**9,360**

	Share capital £'000	Share premium £'000	Merger reserve £'000	Convertible bond reserve £'000	Retained earnings £'000	Total attributable to equity holders of parent £'000
1 January 2016	**11,820**	**815**	**(13)**	**95**	**(3,357)**	**9,360**
Convertible bond reserve transferred to retained earnings at redemption	-	-	-	(95)	95	-
Comprehensive loss for the year	-	-	-	-	(1,528)	(1,528)
31 December 2016	**11,820**	**815**	**(13)**	**-**	**(4,790)**	**7,832**

The notes on page 28 to 51 form part of these financial statements.

Notes forming part of the financial statements

for the year ended 31 December 2016

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 2016 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 Financial Reporting Standards as adopted for use in the EU ("IFRS"). The Company's financial statements are presented on pages 53 to 59.

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 believe the Group to be a going concern on the basis that it has sufficient cash to continue operations for at least 12 months from the date these financial statements were approved.

The Directors have reviewed the Group's cash flow forecasts and note that the achievement of the Group's long term development strategy will depend on the raising of further equity and/or debt funds to achieve those goals. The production of premium quality wine from new vineyards is, by its very nature a long term project. It takes four years to bring a vineyard into full production and, an average of four years to transform these grapes into the Group's premium sparkling wine. On 6 June 2017, the Company announced an Open Offer, which will be underwritten by the Company's principal shareholder Lord Ashcroft KCMG PC, providing shareholders with the opportunity to subscribe for an aggregate of 10,506,560 new Ordinary Shares, to raise an additional £4.2m before expenses. Shareholders will be provided with a basic entitlement of four new Ordinary Shares for every nine existing Ordinary Shares, at 40 pence per share.

On 6 June 2017, a short-term loan from Lord Ashcroft KCMG PC of £1,000,000 was received, which will be offset against Lord Ashcroft PC's subscription under the Open Offer. The proceeds from this loan and the Open Offer will be used for working capital, and capital expenditure in line with the Company's long-term strategic plan.

Additional funding will be sought by the Group over the coming few years to invest in additional vineyards, winery capacity, and stocks of wine as well as brand development, in line with its development strategy. The Directors believe that future fundraisings will be successful to aid the future growth of the business and have prepared the financial statements on a going concern basis.

1 Accounting policies (continued)

New accounting standards and changes to existing accounting standards

i. New standards and interpretations adopted in the current year:

The IASB has issued no new standards, amendments to published standards and interpretations to existing standards with effective dates on or prior to 1 January 2016 which have a material effect on the Group.

ii. Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group:

- IFRS 16 Leases*
- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IAS 12 (amended) Recognition of Deferred Tax Asset for Unrealised Losses
- IAS 7 Disclosure Initiative
- IFRS 2 (amended) Classification and Measurement of Share

* Not yet endorsed by the EU.

The only standards which are anticipated to be significant or relevant to the Group are:

IFRS 15 Revenue from Contracts with Customers

The Group has assessed its current revenue recognition policy under IFRS 15. Based on existing terms of sale, the Group does not currently foresee any significant change to the timing of revenue recognition on sales under IFRS 15.

IFRS 16 Leases

The Group has entered into a number of long term leases in respect of land and buildings in West Sussex. The Group has planted vineyards on the leased land. The leases have a remaining life of 46 years. The Group has assessed the leases under IFRS 16 and expects an impact as the right of use assets and lease liabilities will come onto the consolidated statement of financial position for the first time in respect of its current operating leases. The Group expects that IFRS 16 will have an impact on the financial statements of the Group, however the Group are currently assessing the impact.

IFRS 9 Financial Instruments

IFRS 9 introduces significant changes to the classification, measurement and impairment requirements (introducing an expected loss method) for financial instruments. Management are currently assessing the impact of this standard.

Notes forming part of the financial statements continued

1 Accounting policies (continued)

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.

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

Revenue from the sales of goods is recognised when the Group has transferred the significant risks and rewards of ownership to the buyer and it is probable that the Group will receive the previously agreed upon payment.

These criteria are considered to be met when the goods are delivered to the buyer. Where the buyer has a right of return, revenue is recognised in the year where the goods are delivered less an appropriate provision for returns based on past experience.

Financial assets

Loans and receivables

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.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

1 Accounting policies (continued)

For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being 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.

Convertible deep discount bonds

Convertible deep discount bonds are redeemable at their nominal price at maturity. The bonds may be converted into the Company's shares at the holders' option and are therefore classified as compound financial instruments in accordance with the requirements of IAS 32. The debt element is calculated as the present value of future cash flows assuming the bonds are redeemed on the redemption date, discounted at the market rate for an equivalent debt instrument with no option to convert to equity. The difference between the cash payable on maturity and the present value of the debt element is recognised within equity. The discount is charged over the life of the bond to the statement of comprehensive income and included within finance expenses.

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 are accounted for as a derivative financial liability measured on inception at fair value through profit or loss. Details of Warrants are shown in note 21.

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.

Notes forming part of the financial statements continued

1 Accounting policies (continued)

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:

- 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

1 Accounting policies (continued)

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.

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	5-20% per annum straight line
Computer equipment	5-33% 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. Prior to harvest the costs of growing the grapes are carried forward in inventory. Upon harvest the grapes become agricultural produce and 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

Notes forming part of the financial statements continued

1 Accounting policies (continued)

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 PPE 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 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.

Leased assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Group (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the consolidated statement of comprehensive income over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an "operating lease"), the total rentals payable under the lease are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

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

2 Critical accounting policies (continued)

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.

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 an impairment.

Useful lives of plant, property and equipment

The charge in respect of depreciation is calculated based on management's estimate of an asset's useful economic life and its residual value at the end of that life. An increase in the useful life or residual value would result in a decreased depreciation charge in the statement of consolidated income.

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
Convertible debt

Notes forming part of the financial statements continued

3 Financial instruments - risk management (continued)

Deep discount bonds
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.

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 2015	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	88	57	-	-	-	145
Finance leases	11	35	47	105	-	198
Loans and borrowings	27	84	111	2,199	-	2,421
Convertible deep discount bonds	-	-	1,880	-	-	1,880
Total	**126**	**176**	**2,038**	**2,304**	**-**	**4,644**

At 31 December 2016	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	195	43	-	-	-	238
Finance leases	15	44	56	92	-	207
Loans and borrowings	28	83	2,118	79	-	2,308
Deep Discount Bonds	-	-	-	6,267	-	6,267
Total	**238**	**170**	**2,174**	**6,438**	**-**	**9,020**

3 Financial instruments - risk management (continued)

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.

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. Trade receivable balances are monitored on an ongoing basis to ensure that the Group's bad debts are kept to a minimum.

Further disclosures regarding trade and other receivables, which are neither past due nor impaired, 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 £10,000.

4 Segmental information

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 on pages 23 to 26.

The analysis of the Group's turnover is set out as below:

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Segment		
UK	**553**	456
USA	**48**	-
Other	**39**	17
	640	473

The Directors do not consider the Group place's reliance on any major customers.

Notes forming part of the financial statements continued

5 Loss from operations

Loss from operations has been arrived at after charging:

	Year ended December 2016 £'000	Year ended 31 December 2015 £'000
Depreciation of property, plant and equipment	**357**	267
Staff costs expensed to consolidated statement of income	**220**	232

6 Auditor's remuneration

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Auditor's remuneration		
- Audit: consolidation and parent	**30**	30
- Audit: subsidiaries	**9**	10
	39	40

7 Staff costs

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Staff costs (including Directors) comprise:		
Wages and salaries	**528**	480
Social security contributions and similar taxes	**49**	46
	577	526

The average number of employees of the Group, including Directors, during the year was 21 (December 2015: 18).

Directors' remuneration was as follows:

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
The total emoluments of all Directors during the year was:		
Emoluments (including benefits)	**144**	154
Compensation for loss of office	**30**	-
	174	154
Contributions to defined contribution pension plans	**1**	-
Total	**175**	154

7 Staff costs (continued)

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Total emoluments for all directors excluding pension contributions:		
A Weeber	**50**	50
M Paul	**8**	-
B Walgate	**45**	84
C Holland	**12**	-
J Pollard	**9**	-
Lord Arbuthnot PC	**-**	-
P Bentham	**10**	10
M Clapp	**-**	-
I Robinson	**10**	10
Total	**144**	154

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Pension contributions		
J Pollard	**1**	-
The emoluments of the highest paid Director during the year were:	**50**	84

The total emoluments for B Walgate and C Holland include benefits to the value of £2,000 (2015: £4,000) and £1,000 (2015: £nil).

The £10,000 (2015: £10,000) paid regarding I Robinson is paid directly to Anne Street Partners Limited for the provision of his services as a Non-Executive Director.

The Directors are considered to be key management.

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Key management personnel		
costs were as follows:		
Short term employment benefits	**144**	154
Social security contributions	**13**	16
	157	166

Notes forming part of the financial statements continued

8 Finance income and expense

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Finance income		
Amortisation of bank loan incentive	**13**	13
Interest received on bank deposits	**-**	9
Total finance income	**13**	22
Finance expense		
Interest payable on borrowings	**82**	74
Amortisation of bank transaction costs	**5**	5
Discount expense on convertible bond	**78**	131
Discount expense on deep discount bond	**122**	-
Settlement amount in excess of carrying value at redemption	**95**	-
Exceptional item (note 19)	**-**	115
Total finance expense	**382**	325

9 Taxation

There is no current or deferred tax charge for the year (2015: £nil).

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Loss on ordinary activities before tax	**(1,528)**	(1,426)
Loss on ordinary activities at the standard rate of corporation tax in the UK for the year of 20% (December 2015: 20.25%)	**(306)**	(289)
Effects of:		
Expenses not deductible for tax purposes	**93**	77
Unprovided deferred tax movements on short term temporary differences	**(76)**	(127)
Unrecognised losses carried forward	**285**	318
Effect of changes in tax rate in prior years	**4**	21
Tax charge/(credit) for the year	**-**	-

9 Taxation (continued)

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 £5,457,000 (December 2015: £4,049,000).

10 Loss per share

Basic earnings per ordinary share are based on a loss of £1,528,000 (December 2015: £1,426,000) and ordinary shares 23,639,762 (December 2015: 20,889,716) of 50 pence each, being the weighted average number of shares in issue during the year. There is no adjustment to be made for diluted earnings per ordinary share.

	Loss £'000	Weighted average number of shares	Loss per ordinary share pence
Year ended 31 December 2016	**(1,528)**	**23,639,762**	**(6.46)**
Year ended 31 December 2015	(1,426)	20,889,716	(6.83)

Notes forming part of the financial statements continued

11 Intangibles

	Goodwill £'000	Brand £'000	Total £'000
Cost			
At 1 January 2016 and 31 December 2016	777	230	1,007
Impairment losses			
At 1 January 2016 and 31 December 2016	-	-	-
Net book value			
At 31 December 2015 and 31 December 2016	**777**	**230**	**1,007**

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

	December 2016 £'000	December 2015 £'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 charge is made. The discount rate used is 17% based on the Group's estimated weighted cost of capital. A growth rate of 2% 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.

12 Property, plant and equipment

	Freehold Land and Buildings £'000	Plant, machinery and motor vehicles £'000	Vineyard establishment £'000	Mature Vineyards £'000	Computer equipment £'000	Total £'000
Cost						
At 1 January 2015	4,624	822	1,046	1,240	27	7,759
Additions	664	461	786	-	12	1,923
Disposals	-	(15)	-	-	-	(15)
At 31 December 2015	**5,288**	**1,268**	**1,832**	**1,240**	**39**	**9,667**
At 1 January 2016	5,288	1,268	1.832	1,240	39	9,667
Additions	414	363	338	-	1	1,116
Transfers	-	-	(698)	698	-	-
Disposals	-	(1)	-	-	(3)	(4)
At 31 December 2016	**5,702**	**1,630**	**1,472**	**1,938**	**37**	**10,779**

	Freehold land and buildings £'000	Plant, Machinery and motor Vehicles £'000	Vineyard establishment £'000	Mature vineyards £'000	Computer equipment £'000	Total £'000
Accumulated depreciation						
At 1 January 2015	46	124	-	50	10	230
Depreciation charge for the year	44	163	-	50	10	267
Depreciation on disposals	-	(1)	-	-	-	(1)
At 31 December 2015	**90**	**286**	**-**	**100**	**20**	**496**
At 1 January 2016	90	286	-	100	20	496
Depreciation charge for the year	69	226	-	54	8	357
Depreciation on disposals	-	(1)	-	-	(3)	(4)
At 31 December 2016	**159**	**511**	**-**	**154**	**25**	**849**
Net book value						
At 31 December 2015	5,198	982	1,832	1,140	19	9,171
At 31 December 2016	**5,543**	**1,119**	**1,472**	**1,784**	**12**	**9,930**

Notes forming part of the financial statements continued

12 Property, plant and equipment (continued)

Within property, plant and equipment are assets with a carrying value of £191,000 (2015: £185,000) held under finance leases.

During the year £698,000 (2015 - £nil) of vineyard establishment costs were transferred to mature vineyards at cost.

13 Biological produce

The fair value of biological produce was:

	2016 £'000	2015 £'000
At 1 January	-	-
Crop growing costs	488	384
Fair value of grapes harvested and transferred to inventory	(497)	(289)
Fair value movement in biological produce	9	(95)
At 31 December	**-**	**-**

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 2016 harvest is £2,000 per tonne (2015: £2,000 per tonne).

A 10% increase in the estimated market price of grapes to £2,200 per tonne would result in an increase of £49,000 in the fair value of the grapes harvested in the year. A 10% decrease in the estimated market price of grapes to £1,800 per tonne would result in a decrease of £50,000 in the fair value of the grapes harvested in the year.

A fair value gain of £9,000 (2015: £95,000 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 2016 £'000	December 2015 £'000
Finished goods	96	130
Work in progress	2,151	1,581
Total inventories	**2,247**	**1,711**

During the year £381,000 (December 2015: £299,000) was transferred to cost of sales.

Prior to harvest, the costs of growing the grapes are included in inventory.

15 Trade and other receivables

	December 2016 £'000	December 2015 £'000
Trade receivables	120	111
Prepayments	111	79
Other receivables	83	74
Total trade and other receivables	**314**	**264**

Trade and other receivables are due within 1 year apart from £50,000 (December 2015: £50,000) included within other receivables which is due in more than 1 year.

As at 31 December 2016 trade receivables of £7,000 (2015: £22,000) were past due but not impaired. They relate to customers with no default history. The ageing analysis of these receivables is as follows:

	December 2016 £'000	December 2015 £'000
< 3 months	4	13
3 to 6 months	3	7
> 6 months	-	2
	7	**22**

16 Trade and other payables

	December 2016 £'000	December 2015 £'000
Trade payables	**107**	25
Accruals	**109**	92
Other payables	**22**	27
Total financial liabilities, excluding loans and borrowings classified as financial liabilities measured at amortised cost	**238**	144
Other payables - tax and social security payments	**14**	25
Total trade and other payables	**252**	169

Book values are approximate to fair value at 31 December 2016 and 31 December 2015.

Notes forming part of the financial statements continued

17 Loans and borrowings

	December 2016 £'000	December 2015 £'000
Current liabilities:		
Bank loans	**34**	34
	34	34
Non current liabilities		
Bank loans	**2,127**	2,161
Deep Discount Bonds	**4,195**	-
Total loans and borrowings	**6,322**	2,195

The bank loan of £2,025,000 carries interest at an annual rate of 3% over Barclays Bank plc base rate and is due for repayment in full in September 2018. It is secured by way of a fixed charge over the Group's land and buildings at Appledore, Kent, shown at a cost of £5,390,000 (2015: £4,976,000) within property, plant and equipment and a floating charge over all other property and undertakings.

Other bank loans of £136,000 carry a fixed interest rate of 6% per annum secured against certain items of plant and equipment. This loan is repayable via monthly instalments over 5 years.

On 2 September 2016 the Company issued a deep discount bond totalling £4,073,034. Accrued discount of £122,000 has been charged to the statement of comprehensive income during the year. The bond is secured by a fixed charge over the Group's land and buildings at Appledore, Kent. The bond is redeemable on 15 August 2021 and attracts a coupon rate of 9% per annum which is rolled up annually. The redemption amount of the deep discounts bonds is £6,266,868.

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

	December 2016 £'000	December 2015 £'000
Bank loans:		
Within 1 year	**34**	34
1-2 years	**2,059**	34
2-5 years	**68**	2,127
Deep Discount Bonds:		
Within 1 year	**-**	-
1-2 years	**-**	-
5 years	**4,195**	-

18 Finance Leases

	December 2016 £'000	December 2015 £'000
The minimum lease payments under finance leases fall due as follows:		
Within 1 year	**59**	46
2-5 years	**148**	152
More than 5 years	**-**	-
	207	198
Future value of finance lease payments	**(26)**	(24)
Present value of finance lease liabilities	**181**	174
Of which:		
Within 1 year	**51**	41
2-5 years	**130**	133
More than 5 years	**-**	-
	181	174

Finance leases comprise hire purchase agreements which the Group has used to purchase various items of plant, machinery and motor vehicles. The carrying value of the assets acquired held under these finance leases amounts to £191,000 (2015: £185,000) and are shown within property, plant and equipment (note 12).

19 Convertible deep discount bonds

	2016 £'000	2015 £'000
Present value of debt element at 1 January	1,583	1,841
Converted into shares during the year	-	(389)
Discount expense for the year	77	131
Settlement amount in excess of carrying value at redemption	95	
Repaid to bond holder during the year	(1,755)	-
Present value of debt element at 31 December	-	1,583
Equity element at 31 December	-	95
Total carrying value at 31 December	**-**	**1,678**

Notes forming part of the financial statements continued

19 Convertible deep discount bonds (continued)

Convertible deep discount bonds represented the debt element of convertible deep discount bonds issued to Mr A C V Weeber and Mrs C Weeber as part of the consideration for the acquisition of the Gusbourne Estate business on 27 September 2013. The bonds were secured by a fixed charge over the Group's land and buildings at Appledore, Kent. The bonds were redeemable on 27 September 2017 and attracted a coupon rate of 7.5% per annum which was rolled up annually. From 27 September 2015 until the 26 September 2016 the holders of the bonds were able to convert some or all of the bonds into Gusbourne PLC ordinary shares at a price of 66 pence per share.

On 27th May 2015 the Company, Mr A C V Weeber and Mrs C Weeber entered into a variation of the bonds. The variation of the bonds allowed for the conversion to take place as part of an Open Offer of Gusbourne PLC at the issue price of the Open Offer. On 17 June 2015, as part of the Open Offer announced by the Company on 28th May 2015, £339,846 of the bonds plus accrued discount of £49,043 were converted into 777,778 50 pence ordinary shares at a price of 50 pence per share. As a result of the amendment to the terms of the bonds on 27 May 2015, this conversion of bonds into shares resulted in a charge to the consolidated statement of income for the year ended 31 December 2015 of £115,000 and is shown within finance costs as an exceptional item. This charge is a non-cash adjustment and does not affect the net assets of the Group as the corresponding entry is to retained earnings.The bonds are classified as a compound financial instrument containing an element of debt and equity. The debt element is calculated as the present value of future cash flows assuming the bonds are redeemed on the redemption date, discounted at the market rate for an equivalent debt instrument with no option to convert to equity. A rate of 9% has been used. The difference between the cash payable on maturity and the present value of the debt element is recognised in equity. The discount is charged over the life of the bonds to the statement of comprehensive income and included within finance expenses.

On 2 September 2016 the convertible deep discount bonds were redeemed in full and the security discharged.

20 Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 2016 £'000	As restated December 2015 £'000
Operating leases which expire:		
Within one year	58	55
Within two to five years	258	252
More than five years	2,751	2,798
	3,067	3,105

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

The leases have lives remaining of 46 years (2015: 47 years) and include various terms including regular break clauses at the Group's option.

21 Share capital

	Ordinary shares of 50p each	
	Number	£'000
Issued and fully paid		
At 1 January 2015	17,853,276	8,927
Bonds converted into shares during the period	777,778	389
Issued for cash during the year	5,008,708	2,504
At 31 December 2015	**23,639,762**	**11,820**
Issued for cash during the year	-	-
At 31 December 2016	**23,639,762**	**11,820**

On 17 June 2015 Gusbourne PLC issued 5,050,738 ordinary shares of 50 pence each at a price of 50 pence per share. 4,272,960 of these shares were issued for cash and 777,778 shares were subscribed for by way of the conversion of bonds into shares.

On 30 July 2015 Gusbourne PLC issued, for cash, 735,748 ordinary shares of 50 pence each at a price of 50 pence per share.

The shares were fully subscribed and paid up.

On 2 September 2016 Gusbourne PLC issued Warrants to subscribe for 2,036,517 Ordinary shares of 50 pence each. The Warrants are exercisable at any time by the Warrantholder with an exercise price of 75 pence per share. 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.

Unexcercised Warrants as at 31 December 2016 amount to 2,036,517 Ordinary Shares of 50 pence each.

22 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.
Convertible bond reserve	The convertible bond reserve is the equity element of the bonds as disclosed in note 19.
Retained earnings	The retained earnings represent cumulative net gains and losses recognised in the Group's statement of consolidated income.

Notes forming part of the financial statements continued

23 Related party transactions

SUSD Limited ("SUSD") provided architectural and project management services to the Group during the year amounting to £31,300 (December 2015 - £63,615). There was no balance due to SUSD as at 31 December 2016 (December 2015 - £nil). Lord Ashcroft KCMG PC, the Company's ultimate controlling party, is also the ultimate controlling party of SUSD.

Anne 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 Anne Street Partners Limited. During the year Anne Street Partners Limited charged the Company in total £108,000 (December 2015 - £70,000). Of this, £10,000 was in relation to directors fees (December 2015 - £10,000) and £98,000 relates to management services (December 2015 - £60,000). There was no balance due to Anne Street Partners Limited as at 31 December 2016 (December 2015 - £nil).

Devonshire Club 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 Devonshire Club Limited. During the year the Company sold wine to the Devonshire Club Limited amounting to £25,918 (December 2015 - £nil). A balance due from the Devonshire Club Limited of £3,138 (2015: nil) is shown within trade receivables. The amount of £3,138 has been received by the Group since 31 December 2016.

On 27th May 2015 the Group, Mr Andrew Weeber, Non-Executive Chairman, and Mrs C Weeber entered into a variation of the convertible deep discount bonds. The variation of the bonds allowed for the conversion to take place as part of an Open Offer of Gusbourne PLC at the issue price of the Open Offer. On 17 June 2015, as part of the Open Offer announced by the Company on 28th May 2015, £339,846 of the bonds plus accrued discount of £49,043 were converted into 777,778 50 pence ordinary shares at a price of 50 pence per share. As a result of the amendment to the terms of the bonds on 27 May 2015, this conversion of bonds into shares resulted in a charge to the consolidated statement of income of £115,000 for the year ended 31 December 2015 and is shown within finance costs as an exceptional item. This charge is a non-cash adjustment and does not affect the net assets of the Group as the corresponding entry is to retained earnings.

On 2 September 2016 the convertible deep discount bond was redeemed in full and security was discharged. The redemption price of the bonds was £1,755,000 and was satisified by the payment, in cash to Mr Andrew Weeber, of £1,155,000 and the subscription by Mr Weeber in new deep discount bonds amounting to £600,000.

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

	Deep discount bonds		Warrants
Name	Subscription price as at 2 September 2016 £	Accrued discount to 31 December 2016 £	Held as at 31 December 2016 Number
Lord Ashcroft KCMG PC	2,623,034	78,375	1,311,517
A Weeber	600,000	17,928	300,000
I Robinson	100,000	2,988	50,000
Lord Arbuthnot PC	10,000	299	5,000
M Clapp	10,000	299	5,000
	3,343,034	**99,889**	**1,671,517**

24 Subsequent events

On 6 June 2017, the Company announced an Open Offer, which will be underwritten by the Company's principal shareholder Lord Ashcroft KCMG PC, providing shareholders with the opportunity to subscribe for an aggregate of 10,506,560 new Ordinary Shares, to raise an additional £4.2m before expenses. Shareholders will be provided with a basic entitlement of four new Ordinary Shares for every nine existing Ordinary Shares, at 40 pence per share. On 6 June 2017 a short-term loan from Lord Ashcroft KCMG PC of £1,000,000 was received, which will be offset against Lord Ashcroft KCMG PC's subscription under the Open Offer.

Parent company financial statements

Company balance sheet
at 31 December 2016

	Note	December 2016 £'000	December 2015 £'000
Assets			
Non-current assets			
Investments	3	**-**	-
Other receivables	4	**13,936**	11,897
Current assets			
Trade and other receivables	4	**8**	8
Cash and cash equivalents		**1,031**	1,061
Total assets		**14,975**	12,966
Current liabilities			
Trade and other payables	5	**(79)**	(72)
Non-current liabilities			
Convertible deep discount bond	6	**-**	(1,583)
Loans and borrowings	7	**(4,195)**	-
Total liabilities		**(4,274)**	(1,655)
Net assets		**10,701**	11,311
Issued capital and reserves attributable to owners			
Share capital	8	**11,820**	11,820
Share premium	9	**815**	815
Convertible bond reserve	9	**-**	95
Retained earnings	9	**(1,934)**	(1,419)
Total equity		**10,701**	11,311

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 £610,000 (2015: £525,000) 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 6 June 2017 and were signed on its behalf by Ian Robinson.

Ian Robinson

Secretary and Non-Executive Director

The notes on pages 57 to 59 form part of these financial statements

Statement of cash flows
for the year ended 31 December 2016

	Note	31 December 2016 £'000	31 December 2015 £'000
Cash flows from operating activities			
Loss for the year before tax	2	(610)	(525)
Adjustments for:			
Finance expense		294	246
Finance income		-	(8)
Decrease in trade and other receivables	4	-	5
Increase/(decrease) in trade and other payables	5	7	(100)
Cash outflow from operations		(309)	(382)
Investing activities			
Interest received		-	8
Increase in other receivables - Intercompany loan	4	(2,039)	(2,775)
Net cash from investing activities		(2,039)	(2,767)
Financing activities			
Issue of Deep Discount Bonds	7	4,073	-
Repayment of Convertible Bonds	6	(1,755)	-
Issue of ordinary shares		-	2,504
Share issue expenses		-	(46)
Net cash from financing activities		2,318	2,458
Net increase/(decrease) in cash and cash equivalents		(30)	(691)
Cash and cash equivalents at the beginning of the year		1,061	1,752
Cash and cash equivalents at the end of the year		1,031	1,061

The notes on pages 57 to 59 form part of these financial statements.

Statement of changes in equity

for the year ended 31 December 2016

	Share capital £'000	Share premium £'000	Convertible bond reserve £'000	Retained earnings £'000	Total attributable to equity holders £'000
1 January 2015	**8,927**	**815**	**95**	**(963)**	**8,874**
Shares issued	2,504	-	-	-	2,504
Shares issued on conversion of bonds	389	-	-	115	504
Share issue expenses	-	-	-	(46)	(46)
Comprehensive loss for the year	-	-	-	(525)	(525)
Total comprehensive loss for the year	**-**	**-**	**-**	**(456)**	**(456)**
31 December 2015	**11,820**	**815**	**95**	**(1,419)**	**11,311**
1 January 2016	**11,820**	**815**	**95**	**(1,419)**	**11,311**
Convertible bond reserve transferred to retained earnings at redemption	-	-	(95)	95	-
Comprehensive loss for the year	-	-	-	(610)	(610)
31 December 2016	**11,820**	**815**	**-**	**(1,934)**	**10,701**

The notes on pages 57 to 59 form part of these financial statements.

Notes forming part of the company financial statements

for the year 31 December 2016

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 7 Cowley Street, London SW1P 3NB.

The following principal accounting policies have been applied:

Basis of preparation

The parent company financial statements are prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union. The company's transition date to IFRS was 1 January 2014. 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.

Credit risk

The Company is exposed to credit risk in respect of the loans recoverable from other Group companies amounting to £13,936,000 (2015: £11,897,000) and will only be repaid once the Group companies are profitable.

2 Directors and employees

The average number of staff employed by the Company during the year (comprising solely of Directors) was 7 (2015 - 5).

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

3 Investments

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

Name	Country of incorporation	Proportion of ownership interest at 31 December 2016
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.

Notes forming part of the company financial statements continued

4 Other receivables

	December 2016 £'000	December 2015 £'000
Non-current assets		
Amounts due from group undertakings	**13,934**	11,897
Current assets		
Other receivables	**-**	1
Prepayments and accrued income	**8**	7
Total current assets	**8**	8
	13,942	11,905

5 Trade and other payables: amounts due within one year

	December 2016 £'000	December 2015 £'000
Trade payables	**10**	2
Accruals and deferred income	**69**	70
	79	72

6 Convertible bonds

Details of the convertible bonds are shown in note 19 in the Group's financial statements.

7 Deep discount bonds

Details of the deep discount bonds are shown in note 17 in the Group's financial statements.

8 Share Capital

Details of the share capital of the Company are included in note 21 to the Group's financial statements.

9 Reserves

Details of the nature and purpose of each reserve within equity are shown in note 22 to the Group's financial statements.

10 Ultimate controlling party

In the opinion of the Directors the ultimate controlling party at 31 December 2016 is Lord Ashcroft KCMG PC.

11 Related party transactions

Anne 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 Anne Street Partners Limited. During the year Anne Street Partners Limited charged the Company in total £108,000 (December 2015 - £70,000). Of this, £10,000 was in relation to directors fees (December 2015 - £10,000) and £98,000 relates to management services (December 2015 - £60,000). There was no balance due to Anne Street Partners Limited as at 31 December 2016 (December 2015 - £nil).

11 Related party transactions (continued)

On 27th May 2015 the Company, Mr Andrew Weeber, Non-Executive Chairman, and Mrs C Weeber entered into a variation of the convertible deep discount bonds. The variation of the bonds allows for the conversion to take place as part of an Open Offer of Gusbourne PLC at the issue price of the Open Offer. On 17 June 2015, as part of the Open Offer announced by the Company on 28th May 2015, £339,846 of the bonds plus accrued discount of £49,043 were converted into 777,778 50 pence ordinary shares at a price of 50 pence per share. As a result of the amendment to the terms of the convertible deep discount bond on 27 May 2015, this conversion of bonds into shares resulted in a charge to the consolidated statement of income for the year ended 31 December 2015 and is shown within finance costs as an exceptional item. This charge is a non-cash adjustment and does not affect the net assets of the Company as the corresponding entry is to retained earnings.

On 2 September 2016 the convertible deep discount bonds were redeemed in full and security was discharged. The redemption price of the bonds was £1,755,000 and was satisified by the payment, in cash to Mr Andrew Weeber, of £1,155,000 and the subscription by Mr Weeber in new deep discount bonds amounting to £600,000.

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

	Deep discount bonds		**Warrants**
Name	Subscription price as at 2 September 2016 £	Accrued discount to 31 December 2016 £	Held as at 31 December 2016 Number
Lord Ashcroft KCMG PC	2,623,034	78,375	1,311,517
A Weeber	600,000	17,928	300,000
I Robinson	100,000	2,988	50,000
Lord Arbuthnot PC	10,000	299	5,000
M Clapp	10,000	299	5,000
	3,343,034	**99,889**	**1,671,517**

12 Subsequent Events

On 6 June 2017, the Company announced an Open Offer, which will be underwritten by the Company's principal shareholder Lord Ashcroft KCMG PC, providing shareholders with the opportunity to subscribe for an aggregate of 10,506,560 new Ordinary Shares, to raise an additional £4.2m before expenses. Shareholders will be provided with a basic entitlement of four new Ordinary Shares for every nine existing Ordinary Shares, at 40 pence per share. On 6 June 2017 a short-term loan from Lord Ashcroft KCMG PC of £1,000,000 was received, which will be offset against Lord Ashcroft KCMG PC's subscription under the Open Offer.

Company information

Country of incorporation of parent company

England and Wales

Legal form

Public limited company

Directors

A C V Weeber (Non-Executive Chairman)
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
7 Cowley Street
London
SW1P 3NB

Company number

08225727

Auditors

BDO LLP
55 Baker Street
London
W1U 3EU

Nominated adviser and broker

Cenkos Securities PLC
6.7.8 Tokenhouse Yard
London
EC2R 7AS

Solicitors

Brabners LLP
55 King Street
Manchester
M2 4LQ

Bankers

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

Registrars

Capita Registrars Limited
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Charlie Holland (Chief Winemaker and Chief Executive Officer)

Jon Pollard (Chief Vineyard Manager and Chief Operating Officer)

Mike Paul (Deputy Chairman)

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