GUSBOURNE

Gusbourne PLC

Report and financial statements
for the year ended 31 December 2018

Contents

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

Strategic Report
Chairman's statement

Andrew Webber –
Non-Executive Chairman

Gusbourne has enjoyed another successful year of growth and development in 2018. The Gusbourne business was established fifteen years ago in 2004 and has been selling its award-winning English sparkling wines since 2010. Revenue has continued to grow in line with product availability and in 2018 our net revenue amounted to £1,261,000 (2017: £998,000), an increase of 26% (2017: 56%) over the prior year. Gusbourne remains one of England's premier sparkling wine businesses and is focused at the luxury end of the market.

Highlights of 2018 include:

- Net revenue* growth of 26% (2017: 56%).
- Another successful grape harvest in 2018 with a record yield of high quality fruit.
- Ongoing investment in the Group's growing asset base including vineyards, wine inventories, buildings, plant and machinery and the award winning Gusbourne brand.
- Further plantings planned in West Sussex in 2020.
- A successful fund raise in September 2018 of £3.7 million and which has further broadened the investor base of the Company.
- Ongoing success in major wine competitions including "Best Sparkling Wine", Best Still Wine" and overall "Star of England" at the inaugural Harpers Wine Stars of England competition in May 2018.
- First full year of operations of the Nest – the Company's cellar door, tour and wine tasting operation – which has brought many new visitors and customers to our winery and vineyards in Appledore, Kent. We were pleased to receive a Gold medal from the 2018 IWC Cellar Door Awards for the Nest.

I should like to express my sincere thanks for the dedicated efforts of our employees, our loyal customers as well as the support of our shareholders in helping the Group achieve another successful year for the business.

Andrew Weeber
Chairman

* Net revenue represents Revenue after deducting excise duties

Another successful grape harvest in 2018 with a record yield of high quality fruit.

The Group now has a total of 231 acres of mature vineyards with the first plantings dating back to 2004.

Chief Executive's review

Charlie Holland – Chief Winemaker and Chief Executive Officer

The results for 2018 reflect another successful year of growth and development for the Group in line with our long term strategic development plans. Net revenue of £1,261,000 (2017: £998,000) was up 26% (2017: 56%) on the prior year and we have continued to widen our distribution channels both in the UK and overseas. I am delighted to report that Gusbourne is now distributed to fourteen countries around the world. We have invested further in an expanded sales and marketing team to continue to develop our markets and sales both in the UK and overseas in the coming years.

The Gusbourne sparkling wine products continue to remain at the luxury end of the English sparkling wine market and we are committed to maintaining this premium position. The United States, remains an important contributor to our export sales, with a number of prestigious awards for our sparkling wines.

In 2018 we enjoyed our first full year of operations at the Nest, which provides Gusbourne's cellar door sales facilities, tours and wine tasting operations. Situated amongst our vineyards and winery operations in Kent this new facility allows us to fully engage with our customers, encouraging them to enjoy the vineyards, visit the winery and taste the wines.

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 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 mature vineyards with the first plantings dating back to 2004. Following the 2018 harvest, the most recent plantings in 2015 are now deemed to be mature and which will reach production maturity in 2019.

On 9 April 2019, the Group announced that it had entered into a new long term farm business tenancy in respect of an additional 73 acres of land adjacent to its existing vineyards in West Sussex. The Group intends to plant additional vines on 57 acres of this land in 2020, which are expected to start producing grapes in 2022. The lease has a term of 50 years from September 2019 and will increase the Group's vineyards in West Sussex to 136 acres, with a total acreage under vine, including the

152 acres in Kent, of 288 acres following the new plantings.

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

In May 2018, Gusbourne was awarded "Best Sparkling Wine", Best Still Wine" and overall "Star of England" at the inaugural Harpers Wine Stars of England competition.

At the Wine GB awards in July 2018 Gusbourne was awarded Gold medals for the Blanc de Blancs 2013, Pinot Noir 2016 and Guinevere 2014 and Silver medals for the Brut Reserve 2014 and Rose 2014. The Blanc de Blanc 2013 went on to win the trophy for most outstanding Blanc de Blancs and the Pinot Noir 2016 was awarded the trophy for most outstanding still red wine.

In July 2018, the Nest, received a Gold medal from the 2018 IWC Cellar Door awards.

In August 2018 our Brut Reserve 2013 was awarded a Gold medal and the 'best in class' trophy at the Champagne and Sparkling Wine World Championships (CSWWC).

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;
- Planned increases in sales and marketing costs to support the ongoing development and growth of the business and the maintenance 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 promotion of the Company's cellar door operation, the "Nest", at the Company's winery in Kent. This allows visitors to enjoy vineyard and winery tours and taste our award-winning wines and also helps to promote a closer and more direct relationship with our customers; and
- The investment in additional buildings, plant and machinery to keep pace with production growth.

2018 Harvest

The 2018 harvest at Gusbourne has provided another vintage of outstanding quality as well as record quantity.

Superb conditions throughout the growing season and in particular, during flowering in June and the warm, dry summer over the critical months of July and August resulted in the harvest commencing earlier than ever before. The grapes were wonderfully ripe, with optimum levels of natural sugar and acidity across all three varieties - Chardonnay, Pinot Noir and Pinot Meunier.

In accordance with our strict parameters in our quest to make only the best quality vintage wines from the highest quality grapes grown in our own

Chief Executive's review continued

vineyards, we green harvested a selected amount of fruit during the latter part of the growing season. Whilst this reduced the potential overall yield, it enabled the vines to enhance the ripening of their remaining clusters. This technique, known as a green harvest, ensures that we maintain the high quality of our grapes as well as looking after the long term health of our vineyards. Following the green harvest we are pleased to report that the 2018 harvest still managed to achieve record yields. The resulting wine production has added further to our inventory levels for sale in future years.

Results for the year

Net revenue for the year amounted to £1,261,000 (2017: £998,000), an increase of 26% 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.

Gross profit represents net revenue less cost of sales (cost of wine sold and direct selling costs). Over the last 5 years the Gross profit margin has increased from 17% in 2014 to 56% in the current year reflecting economies of scale in respect of the Group's increased production volumes. These production volumes are planned to increase in the coming years.

Gross profit margin for 2018 was 6% lower than in 2017, in line with management expectations, due to the wine sold in 2018 having a slightly higher cost of production resulting from planned increases in the direct costs of wine sold during the year.

It should be noted that the cost of sales relates to the wine sold in the current year which is primarily the wine produced from the 2013 harvest, and the benefit of economies of scale at gross margin level will continue, for some time, to trail current year sales.

Operating expenses of £2,246,000 (2017: £1,759,000), includes depreciation of £638,000 (2017: £479,000) and also includes planned increased expenditure on sales and marketing costs reflecting continuing investment in the development and growth of the business.

EBITDA** for the year was a loss of £782,000 (2017: £690,000). The operating loss for the year after depreciation and amortisation was £1,420,000 (2017: £1,169,000). The loss before tax was £1,767,000 (2017: £1,638,000) after net finance costs of £347,000 (2017: £469,000).

These losses continue to be in line with expectations and the long-term development strategy of the Group which is based on continuing sales growth of the Gusbourne wines, supported by increasing wine stocks, and is planned to provide a positive cashflow during the course of the next few years.

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. This expenditure includes the investment in the vineyards established in West Sussex and Kent in 2015. This investment in vineyards is reflected in capital expenditure during the year of £141,000 (2017: £86,000). Following the 2018 harvest all existing vineyards are now deemed to be mature and have been transferred to mature vineyards within property plant and equipment. This will result in a greater depreciation charge in future years.

In addition, the Group invested in additional plant and equipment for the vineyards and the winery amounting to £698,000 (2017: £589,000) and in buildings of £74,000 (2017: £1,090,000). Total assets at 31 December 2018 of £19,727,000 (2017: £17,466,000)

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

include freehold land and buildings of £6,488,000 (2017: £6,539,000), vineyards of £3,289,000 (2017: £3,260,000), inventories of wine stocks amounting to £5,282,000 (2017: £3,484,000), and cash of £1,311,000 (2017: £1,464,000). Intangible assets of £1,007,000 (2017: £1,007,000) arose on the acquisition of the Gusbourne Estate business on 27 September 2013.

As noted above, our main operating assets continue to grow, which provides further asset backing for our investors as well as support for our planned future sales growth. In particular, the cost of inventories of wine stocks has increased by 51% during the course of the year reflecting a further successful harvest of grapes in 2018.

Intangible assets, which includes the Gusbourne brand itself, remain unimpaired at their historical amount and in accordance with the relevant accounting standards. No account has been taken with regards to any potential fair value uplift that may be appropriate.

The Group's net tangible assets at 31 December 2018 amounted to £13,303,000 (2017: £11,323,000) and represent 93% of total equity (2017: 92%). Net tangible assets per share at 31 December 2018 were 29.1 pence per share (2017: 28.8 pence per share). 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 continue growing until approximately four years after vineyard maturity. These additional four years, reflect the time it takes to transform our high quality grapes into Gusbourne's premium sparkling wine. 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 shareholder's equity, loans, finance leases, other borrowings and deep discount bonds. Loans, finance leases, other borrowings and deep discount bonds at 31 December 2018 amount in total to £4,934,000 (2017: £4,778,000) and represent 34% of total equity (2017: 39%).

On 5 September 2018, Gusbourne announced that it had raised approximately £3.7 million by way of an issue of 6,221,699 new ordinary shares at a price of 60 pence per share. In addition, 6,221,699 warrants have been issued on a 1 for 1 basis to subscribers of these new shares, at an exercise price of 60p. These warrants can be exercised at any time up to 30 September 2019. As at 31 December 2018 83,000 of the Warrants issued have been exercised by Warrantholders.

Lord Ashcroft KCMG PC subscribed for £2,702,517 representing 4,504,510 new ordinary shares, of which £1,000,000 together with accrued interest was satisfied through the repayment of the shareholder loan, in full, which was provided to the Company on 31 May 2018.

The Group's bank loan of £2,025,000 which was due for repayment in September 2018 has been extended for a further 3 years until November 2021 on similar terms.

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

Chief Executive's review continued

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 growing season in 2019 has started slightly later than last year, due to a cold start to the year, but warm spring weather has led to strong even growth and high potential fruitfulness. The vines will remain subject to the normal seasonal climatic and disease risks throughout the remaining part of the growing season. Record yields from the 2018 harvest have allowed us to significantly increase our wine stocks for future sales.

Current trading is in line with expectations and the Company continues to make steady progress in line with its long term strategic plans.

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.

Key Performance Indicators

Years ended 31 December	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Net revenue*	**1,261**	**998**	**640**	**473**	**434**
Gross profit percentage	**56%**	**62%**	**34%**	**31%**	**17%**
EBITDA**	**(782)**	**(690)**	**(802)**	**(856)**	**(786)**

Investment in tangible assets by year					
Investment in vineyard establishment	141	86	338	786	588
Investment in freehold land and buildings	74	1,090	414	664	14
Investment in plant, machinery, vehicle and other equipment	727	607	364	473	145
Investment in property, plant and equipment	**942**	**1,783**	**1,116**	**1,923**	**747**
Increase in inventories	1,798	1,237	536	276	125
Total investment in tangible assets	**2,740**	**3,020**	**1,652**	**2,199**	**872**

At 31 December	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Key balance sheet ratios					
Net tangible assets as a percentage of total equity	**93%**	**92%**	**87%**	**89%**	**87%**
Gearing (Debt as percentage of equity)	**34%**	**39%**	**83%**	**42%**	**49%**
Number of shares in issue	**45,671,683**	**39,366,986**	**23,639,762**	**23,639,762**	**17,853,276**
Net tangible assets per share (pence)	**29.1**	**28.8**	**28.9**	**35.3**	**38.2**

Net assets					
Freehold land and buildings	6,488	6,539	5,543	5,198	4,578
Vineyards	3,289	3,260	3,256	2,972	2,236
Plant, machinery, vehicle and other equipment	1,757	1,431	1,131	1,001	715
Total non-current assets	**11,534**	**11,230**	**9,930**	**9,171**	**7,529**
Inventories	5,282	3,484	2,247	1,711	1,435
Net working capital (Trade and other receivables less Trade and other payables)	110	(77)	62	95	(123)
Cash	1,311	1,464	1,123	1,328	1,842
Net tangible assets before debt	**18,237**	**16,101**	**13,362**	**12,305**	**10,683**
Bonds, loans and other borrowings	(4,934)	(4,778)	(6,537)	(3,952)	(3,866)
Net tangible assets	**13,303**	**11,323**	**6,825**	**8,353**	**6,817**
Goodwill and Brand	1,007	1,007	1,007	1,007	1,007
Net assets and equity	**14,310**	**12,330**	**7,832**	**9,360**	**7,824**

* Net revenue represents Revenue after deducting excise duties
** EBITDA means profit from operations/(loss from operations) before interest, tax, depreciation and amortisation.

In May 2018, Gusbourne was awarded “Best Sparkling Wine”, “Best Still Wine” and overall “Star of England” at the inaugural Harpers Wine Stars of England competition.


GUSBOURNE
BLANC DE BLANCS
TRADITIONAL METHOD
PRODUCT OF ENGLAND
GUSBOURNE
ROSE
TRADITIONAL METHOD
PRODUCT OF ENGLAND
A WINE THAT
TYPIFIES THE LINEAR
PURITY OF CLASSIC
BLANC DE BLANCS.
IT DELIVERS
A DIRECT ELEGANT
AND FRESH FINISH
WITH GUSBOURNE
SIGNATURE
MINERALITY.
GUSBOURNE
TWENTY FOURTEEN
GUSBOURNE
BLANC DE BLANCS
VINTAGE
ENGLISH
SPARKLING
WINE

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.

Although the future relationship between the United Kingdom and the European Union is currently unclear, reduced access to EU labour could cause industry wage expenditure to rise, putting pressure on margins.

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 (South African Paper and Pulp Industries).

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 is particularly involved in 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. He is also closely involved with Wine GB, the organisation that represents UK wine producers.

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

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

Charlie, who has been head of wine making at Gusbourne for over six years, joined the board in October 2016 as Chief Winemaker and Chief Executive Officer. He is responsible for winemaking at Gusbourne but also represents the Company

Board of Directors continued

as its Chief Executive Officer and manages the day to day running of the business in conjunction with Jon Pollard and other members of the executive team in what remains a highly collaborative and relatively flat organisation.

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

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

Jon has been the vineyard manager at the Gusbourne Estate since the first vines were planted fifteen 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. 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), and an adviser to 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 of the Retail Merchant Services Group and currently a Non-Executive Director of RMS Holdco Limited. With a background in card payment services and retail banking projects he was the founder and previously the Executive Chairman of Cardsave UK Ltd. He is also engaged in various commercial and residential property projects, including investment-grade office and warehouse sites and a director of a number of private companies involved in those projects.

Matthew Clapp BA, MBA, Non–Executive Director

Member of the Audit, Remuneration and Nomination Committees

Matthew is non-executive Chairman of Shutdown Maintenance Services Ltd and a director of MDC Consulting Limited. Matthew also consults for financial services firm Levendi Investment Management and is a Freeman of the City of London.

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 Deputy Chairman and Chairman of the Audit Committee of Jaywing PLC, an AIM listed agency and consulting business specialising in data science, and a non-executive director of TLA Worldwide Plc, an AIM listed athlete representation and sports marketing business. He is also a director of a number of privately owned businesses in a wide range of industry sectors.

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 and holds an honours degree in economics from the University of Nottingham.

Report of the Directors
for the year ended 31 December 2018

The Directors present their report together with the audited financial statements for the year ended 31 December 2018.

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

Results and dividends

The consolidated statement of comprehensive income is set out on page 32 and shows the result for the year. No dividend was declared in the year and none is proposed (December 2017: £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 13. 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
(Non-Executive Deputy Chairman)

Charlie Holland
(Chief Executive Officer)

Jon Pollard
(Chief Operating Officer)

Lord Arbuthnot PC
(Non-Executive Director)

Paul Bentham
(Non-Executive Director)

Matthew Clapp
(Non-Executive Director)

Ian Robinson
(Non-Executive Director)

The beneficial interest of Directors who held office at 31 December 2018 in the share capital of the Company are shown below:

Ordinary shares

	December 2018		December 2017	
	Number	Percentage	Number	Percentage
Andrew Weeber	2,722,221	6.0%	2,722,221	6.9%
Paul Bentham	938,370	2.1%	855,036	2.2%
Ian Robinson	481,086	1.1%	439,419	1.1%
Lord Arbuthnot PC	106,360	0.2%	56,360	0.1%
Matthew Clapp	73,027	0.2%	56,360	0.1%
Jon Pollard	42,186	0.1%	42,186	0.1%
Charlie Holland	42,000	0.1%	42,000	0.1%
Mike Paul	110,806	0.2%	27,472	0.1%

Corporate governance

Statement of Compliance with the QCA Corporate Governance Code

Chairman's Introduction

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

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

Please refer to the Chief Executive's review on page 9.

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

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

Private shareholders

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

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

Report of the Directors continued

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

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

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

The principal risks and uncertainties facing the Company are set out on page 16. This section also details how these risks are mitigated. They are also subject to regular review by the Audit Committee.

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

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

The Non-Executive Directors are all deemed to be independent, save for Ian Robinson due to links with the Company's largest shareholder, Lord Ashcroft KCMG PC.

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

Further information on the board's skill set, including biographies of each director and their relevant expertise can be found on pages 17 to 19.

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

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

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

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

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

Over the next 12 months we intend to review the performance of the team as a unit to ensure that the members of the board collectively function in an efficient and productive manner.

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

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

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

Board programme

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

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

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

Roles of the Board, Chairman and Chief Executive Officer

The Board is responsible for the long-term success of the Company. There is a formal schedule of matters reserved to the Board. It is responsible for overall Group strategy; approval of major investments (whether Capex or Opex); approval of the annual and interim results; annual budgets; dividend policy; and Board structure. It monitors the exposure to key business risks and reviews the strategic direction of all trading subsidiaries, their annual budgets and their performance in relation to those budgets. There is a clear division of responsibility at the head of the Company. The Chairman is responsible for running the business of the Board and for ensuring appropriate strategic focus and direction. The Chief Executive Officer is responsible for proposing the strategic focus to the Board, implementing it once it has been approved and overseeing the management of the Company through the Executive Team.

All Directors regularly receive relevant and timely information on the Group's operational and financial performance in advance of meetings. The business reports monthly on its headline performance against its agreed budget, and prior year performance and the Board reviews the monthly update on performance with any significant variances reviewed at each meeting. Where appropriate, senior executives below Board level may attend Board meetings to present business updates. Board meetings throughout the year are held at the Company's various office locations. In particular, this gives the Non-Executive Directors access to the different divisions to gain a greater understanding of the Group's activities.

Executive Team

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

Report of the Directors continued

development and corporate responsibility programmes. The Chief Executive Officer reports to the plc Board on issues, progress and recommendations for change.

Board committees

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

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

The Audit Committee comprises Ian Robinson (Chairman), Andrew Weeber, Lord Arbuthnot PC, Paul Bentham, Matthew Clapp and Mike Paul and meets at least twice a year and at such other times as the Chairman of the Committee requires. The external auditors attend for part or all of 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), Andrew Weeber, Paul Bentham, Matthew Clapp, Ian Robinson and Mike Paul and meets at least twice a year. The Committee is responsible for reviewing the composition and structure of the Board and for making recommendations to the Board for its consideration and approval.

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

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

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

Substantial shareholdings

Current shareholdings in excess of 3%:

Shareholder	Shareholding
Lord Ashcroft KCMG PC	72.3 %
Andrew Weeber	6.0 %

At 31 December 2018 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 2017: £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 45 to 47.

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

Report of the Directors continued

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: 31 May 2019

Report of the independent auditors
for the year ended 31 December 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GUSBOURNE PLC

Opinion

We have audited the financial statements of Gusbourne Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2018 which comprise the consolidated statement of financial position, the parent company balance sheet, the consolidated statement of comprehensive income, the consolidated and parent company statements of cash flows, the consolidated and parent company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements 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.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we

Report of the independent auditors
for the year ended 31 December 2018 continued

identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	HOW THE SCOPE OF OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Going concern – Note 1 on page 37 and 38 The directors are required to consider whether the Group has adequate working capital facilities to operate for the foreseeable future, which is considered to be a period of at least one year from the date of approval of the financial statements. There is significant judgement and estimation involved in this assessment. This is considered to be the key area of focus for the our audit given the business is in the development stage and since the Group's long term development strategy is dependent on the raising of further equity and/or debt funds in order to fund the Group's area under vine and infrastructure to support it.	We reviewed and challenged the Director's forecasts to assess the Company's ability to meet their financial obligations as they fall due within the period of twelve months from the date of approval of the financial statements by reviewing the assumptions and inputs in the cashflow forecast to assess whether these were in line with our understanding of the Company's operations and other information obtained by us during the course of the audit. We performed a mechanical check on the Group's long term development strategy model prepared by Management. We have challenged the assumptions within and discussed them with management. We performed sensitivity analysis on the cashflow forecasts and assessed the available headroom under sensitivity scenarios. We reviewed the adequacy of financing in place to enable the business to continue for a period of at least one year from the expected sign off of the financial statements. We have obtained a copy of a signed letter of intent and a copy of the signed loan agreement from a company controlled by Lord Ashcroft KCMG PC for the short term loan of £2m. We reviewed the disclosure included within the financial statements as per page 37.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on the audit in forming our audit opinion. Materiality is assessed on both quantitative and qualitative grounds.

We consider materiality to be the magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements.

We determined materiality for the Group financial statements as a whole to be £150,000 (2017: £150,000) which was set at 0.8% of Group total assets (2017: 0.9%).

We determined that total assets would be the most appropriate basis for determining overall materiality as we consider it to be one of the principal considerations for the users of the financial statements in assessing the financial performance of the Group.

Materiality in respect of the audit of the parent company and its only component has been set at £135,000 using a benchmark of 0.8% of total assets, limited to 90% of group materiality (2017: £135,000, based on 1% of total assets, limited to 90% of group materiality).

Performance materiality is used to scope areas of the financial statements and business and activities ('components') of groups that will be subject to audit. Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole.

On the basis of our risk assessment, together with our assessment of the Group's overall control environment, our judgement was that performance materiality should be 75% (2017: 75%) of materiality.

We determined that the same measure as the Group was appropriate for the parent company, and the performance materiality applied was £112,500 (2017: £112,500).

We agreed with the Audit Committee that we would report to the Committee all individual audit differences in excess of £7,500 (2017: £7,500).

An overview of the scope of our audit

We designed our audit by determining materiality and assessing the risks of material misstatements in the financial statements. In particular, we looked at where the Directors make subjective judgements. We also address the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that might represent a risk of material misstatement due to fraud.

The Group operates solely in the United Kingdom through its only component and operates through one segment, the production, sale and distribution of English sparkling wine. The Group audit team performed all the work necessary to issue the Group and Parent Company audit opinions, including undertaking all of the audit work on the key risks of material misstatement. We also carried out a full scope audit of the component.

Other information

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

In connection with our audit of the financial statements,

Report of the independent auditors
for the year ended 31 December 2018 continued

our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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 in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 25, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

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

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

31 May 2019

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 2018

	Note	Year ended 31 December 2018 £'000	As restated Year ended 31 December 2017 £'000
Revenue	4	**1,388**	1,097
Excise duties		**(127)**	(99)
Net revenue		**1,261**	998
Cost of sales		**(560)**	(381)
Gross profit		**701**	617
Fair value movement in biological produce	13	**125**	(27)
Operating expenses		**(2,246)**	(1,759)
Loss from operations	5	**(1,420)**	(1,169)
Finance expenses	8	**(347)**	(469)
Loss before tax		**(1,767)**	(1,638)
Tax expense	9	**-**	-
Loss and total comprehensive for the year attributable to owners of the parent		**(1,767)**	(1,638)
Loss per share attributable to the ordinary equity holders of the parent:			
Basic (pence)	10	**(4.62)**	(5.26)
Diluted (pence)	10	**(4.62)**	(5.26)

The notes on pages 37 to 65 form part of these financial statements

Consolidated statement of financial position

at 31 December 2018

	Note	31 December 2018 £'000	31 December 2017 £'000
Assets			
Non-current assets			
Intangibles	11	**1,007**	1,007
Property, plant and equipment	12	**11,534**	11,230
Other receivables	15	**97**	-
		12,638	12,237
Current assets			
Biological Produce	13	**-**	-
Inventories	14	**5,282**	3,484
Trade and other receivables	15	**496**	281
Cash and cash equivalents		**1,311**	1,464
		7,089	5,229
Total assets		**19,727**	17,466
Liabilities			
Current liabilities			
Trade and other payables	16	**(483)**	(358)
Finance leases	18	**(47)**	(49)
Loans and borrowings	17	**(34)**	(2,059)
		(564)	(2,466)
Non-current liabilities			
Loans and borrowings	17	**(4,820)**	(2,590)
Finance leases	18	**(33)**	(80)
		(4,853)	(2,670)
Total liabilities		**(5,417)**	(5,136)
Net assets		**14,310**	12,330

Consolidated statement of financial position

at 31 December 2018

continued

	Note	31 December 2018 £'000	31 December 2017 £'000
Issued capital and reserves attributable to owners of the parent			
Share capital	21	**12,040**	11,977
Share premium	22	**10,438**	6,754
Merger reserve	22	**(13)**	(13)
Retained earnings	22	**(8,155)**	(6,388)
Total equity		**14,310**	12,330

The financial statements were approved and authorised for issue by the Board of Directors on 31 May 2019 and were signed on its behalf by:

Andrew Weeber
Non-Executive Chairman

Charlie Holland
Chief Executive Officer

The notes on pages 37 to 65 form part of these financial statements

Consolidated statement of cash flows

for the year ended 31 December 2018

	Note	31 December 2018 £'000	31 December 2017 £'000
Cash flows from operating activities			
Loss for the year before tax		**(1,767)**	(1,638)
Adjustments for:			
Depreciation of property, plant and equipment	12	**638**	479
Gain on shares issued to directors in the year		**-**	40
Profit on disposal of property, plant and equipment		**-**	(3)
Finance expense	8	**347**	469
Fair value movement in biological produce	13	**(125)**	27
Decrease / (Increase) in trade and other receivables		**(316)**	28
Increase in inventories		**(1,673)**	(1,264)
Increase in trade and other payables		**125**	45
Cash outflow from operations		**(2,771)**	(1,817)
Investing activities			
Purchases of property, plant and equipment, excluding vineyard establishment	12	**(801)**	(1,636)
Investment in vineyard establishment	12	**(141)**	(86)
Sale of property, plant and equipment		**-**	7
Net cash from investing activities		**(942)**	(1,715)
Financing activities			
Capital loan repayments		**(34)**	(34)
Short term loan*		**1,000**	1,000
Repayment of finance leases		**(49)**	(52)
Interest paid		**(104)**	(82)
Issue of ordinary shares*	21	**2,783**	3,203
Share issue expenses		**(36)**	(162)
Net cash from financing activities		**3,560**	3,873
Net increase/(decrease) in cash and cash equivalents		**(153)**	341
Cash and cash equivalents at the beginning of the year	19	**1,464**	1,123
Cash and cash equivalents at the end of the year	19	**1,311**	1,464

***Non-cash transaction**

The short-term loan of £1,000,000 received in the year ended 31 December 2017 was used as part settlement of monies due under the share subscription which completed on 29 June 2017.

The short-term loan of £1,000,000 received in the year ended 31 December 2018 was used as part settlement of monies due under the share subscription which completed on 11 September 2018.

The notes on pages 37 to 65 form part of these financial statements

Consolidated statement of changes in equity

for the year ended 31 December 2018

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total attributable to equity holders of parent £'000
1 January 2017	**11,820**	**815**	**(13)**	**(4,790)**	**7,832**
Comprehensive loss for the year	-	-	-	(1,638)	(1,638)
Contributions by and distributions to owners:					
Share issue	106	4,098	-	-	4,204
Share issue expenses	-	(162)	-	-	(162)
Bond conversion	51	2,003	-	-	2,054
Gain on shares issued to directors in the year	-	-	-	40	40
31 December 2017	**11,977**	**6,754**	**(13)**	**(6,388)**	**12,330**
1 January 2018	**11,977**	**6,754**	**(13)**	**(6,388)**	**12,330**
Comprehensive loss for the year	-	-	-	(1,767)	(1,767)
Contributions by and distributions to owners:					
Share issue	63	3,720	-	-	3,783
Share issue expenses	-	(36)	-	-	(36)
31 December 2018	**12,040**	**10,438**	**(13)**	**(8,155)**	**14,310**

The notes on pages 37 to 65 form part of these financial statements

Notes forming part of the financial statements

for the year ended 31 December 2018

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 2018 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 67 to 74.

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.

Prior period adjustment

Revenue for the year ended 31 December 2017 has been restated to reflect the inclusion of excise duties as excise duties are an obligation of the Group on sale. Following this reclassification there is no impact on the Group's loss for the year or the Group's net assets.

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.

In order to meet immediate working capital requirements, the Company (the "Borrower") entered into an agreement on 31 May 2019 with a company controlled by Lord Ashcroft KCMG PC (the "Lender") to receive an unsecured loan facility of up to £2,000,000 (the "Loan Agreement") which is repayable on 31 October 2019. The loan facility may be drawn down in amounts of no less than £250,000. The loan carries interest on the principal amount outstanding from time to time at the rate of 10% per annum and at 15% per annum in the event of default. To the extent that the Lender chooses, in its sole discretion to exercise any warrants it holds in the Borrower, the amount to be subscribed pursuant to such exercise ("the Subscription Amount") will be deemed to be satisfied to the extent of the amount outstanding in respect of the Loan and the amount of accrued but unpaid interest at the time of exercise or, if such amount is greater, to the extent of the Subscription Amount.

Notes forming part of the financial statements continued

1 Accounting policies (continued)

Under the terms of the Loan Agreement, should the loan not be repaid on 31 October 2019, the loan will become repayable on demand subject to such repayment not being in breach of the Company's existing banking facilities or if such repayment caused the Company to be unable to meet its creditors as they fall due.

The Director 's 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.

Additional funding will be sought by the Group from investors and debt providers to support the Group's investment in vineyards, winery capacity, and stocks of wine including marketing and brand development, in line with its development strategy. In the event that further funding could not be obtained, from investors or debt providers, Lord Ashcroft KCMG PC has confirmed that his current intention would be to provide further funding by way of debt or equity funding for a period of at least 12 months from the approval of the financial statements, on terms or at prices to be agreed.

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.

New accounting standards and changes to existing accounting standards

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

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

IFRS 9 Financial Instruments

IFRS 9 "Financial instruments" is designed to simplify the classification and measurement of financial assets and financial liabilities. IFRS 9 defines three measurement categories for financial assets: amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss. Classification depends on the entity's business model and the contractual cash flow of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. A new model for recognising provisions based on expected credit losses has been introduced which replaces the incurred loss impairment model used in IAS 39.

IFRS 9 has had a negligible impact on the Group which has arisen from an expected credit loss on the Group's trade receivables of £3,000. The Group has chosen not to restate comparatives on adoption of IFRS 9 due to the negligible nature of this expected loss.

1 Accounting policies (continued)

IFRS 15 Revenue from Contracts with Customers

The Group Adopted IFRS 15 with a transition date of 1 January 2018. IFRS 15 has had no impact on the Group's loss for the year or the Group's net assets as the reporting date. The Directors have also assessed the impact of IFRS 15 on the prior period and concluded that there was no impact on either the Group's loss for the year or the Group's net assets.

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 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. These leases have a remaining life of 44 years. On the 9 April 2019, the group entered into a separate long term farm business tenancy with a term of 50 years from September 2019. 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 have performed a quantitative assessment based on the current leases in place and envisage that a right of use asset and associated lease liability of c.£1.3m will be recognised on adoption of IFRS 16 though has not finalised the transition option at this point. The Group does not currently expect any material impact on profit before tax, however it is noted that the expense will be split between depreciation and the interest expense.

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

Notes forming part of the financial statements continued

1 Accounting policies (continued)

are eliminated. Subsidiaries' results are amended where necessary to ensure consistency with the policies adopted by the Group.

Revenue

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

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

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

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

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

Revenue for the year ended 31 December 2017 has been reclassified to reflect the above treatment of excise duties. Following this reclassification there is no impact on the Group's loss for the year or the Group's assets.

Financial assets

Debt instruments at amortised cost

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods to customers (e.g. trade receivables), but

1 Accounting policies (continued)

also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. The financial assets meet the SPPI test and are held in a 'hold to collect' business model and therefore classified at amortised cost.

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

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

Cash and cash equivalents

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

Financial liabilities

Borrowings

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

Deep discount bonds

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

Warrants

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

1 Accounting policies (continued)

occurs when the carrying value of goodwill is greater than the recoverable amount which is the higher of the value in use and fair value less disposal costs. The present value of the estimated future cash flows from the separately identifiable assets, termed a 'cash generating unit' is used to determine the fair value less cost of disposal to calculate the recoverable amount. The Group prepares and approves formal long term business plans for its operations which are used in these calculations.

Brand

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

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

Property, plant and equipment

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

Freehold land is not depreciated.

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

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

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

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

Biological assets and produce

Agricultural produce is accounted for under IAS 41 Agriculture. Harvesting of the grape crop is ordinarily carried out in October. The grapes are therefore measured at fair value less costs to sell in accordance with IAS 41 with any fair value gain or loss shown in the consolidated statement of comprehensive

Notes forming part of the financial statements continued

1 Accounting policies (continued)

income. The fair value of grapes is determined by reference to estimated market prices at the time of harvest. Generally there is no readily obtainable market price for the Group's grapes because they are not sold on the open market, therefore management set the values based on their experience and knowledge of the sector including past purchase transactions. This measurement of fair value less costs to sell is the deemed cost of the grapes that is transferred into inventory upon harvest.

Under IAS 41, the agricultural produce is also valued at the end of each reporting period, with any fair value gain or loss shown in the consolidated statement of comprehensive income.

Bearer plants are accounted for under IAS 16 and are held at cost.

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs, including operating lease rentals, 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. During the year £88,000 (2017: £74,000) in respect of operating leases was capitalised as part of inventories.

2 Critical accounting policies

Estimates and judgements

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

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 the greater of value in use and fair value less costs of disposal calculations, which requires the estimation of the value and timing of future cash flows and the determination of a discount rate to calculate the present value of the cash flows. Further information is set out in note 11. Management does not believe that any reasonably possible change in a key assumption would result in impairment.

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:

Notes forming part of the financial statements continued

3 Financial instruments - risk management (continued)

Bank loans
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 2017	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	170	188	-	-	-	358
Finance leases	15	41	53	39	-	148
Loans and borrowings	28	2,090	40	40	-	2,198
Deep discount bonds	-	-	-	3,390	-	3,390
Total	**213**	**2,319**	**93**	**3,469**	**-**	**6,094**

At 31 December 2018	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	388	95	-	-	-	483
Finance leases	13	40	32	7		92
Loans and borrowings	29	87	116	2,095	-	2,327
Deep discount bonds	-	-	-	3,390	-	3,390
Total	**430**	**222**	**148**	**5,492**	**-**	**6,292**

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.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. The expected loss rates are based on the Group's historical credit losses experienced over the three-year period to the period end.Trade receivable balances are monitored on an ongoing basis to ensure that the Group's bad debts are kept to a minimum. The maximum trade credit risk exposure at 31 December 2018 in respect of trade receivables is £213,000 (2017: £165,000) and due to the prompt payment cycle of these trade receivables, the expected credit loss is negligible at £3,000.

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

Interest rate risk

The Group's main debt is exposed to interest rate fluctuations. The Group considers that the risk is not significant in the context of its business plans. Should there be a 0.5% increase in the bank's lending rate, the finance charge in the statement of comprehensive income would increase by £10,000.

Notes forming part of the financial statements continued

4 Revenue and Segmental information

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Wine sales	**1,277**	1,031
Other income	**111**	66
Revenue	**1,388**	1,097

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.

Details of a prior period adjustment affecting Revenue for the year ended 31 December 2017 are shown on page 37.

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

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
UK	**1,209**	846
USA	**37**	111
Other	**142**	140
	1,388	1,097

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

5 Loss from operations

Loss from operations has been arrived at after charging:

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Depreciation of property, plant and equipment	**638**	479
Staff costs expensed to consolidated statement of income	**552**	310

6 Auditor's remuneration

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Auditor's remuneration		
- Audit: consolidation and parent	**39**	35
- Audit: subsidiaries	**12**	12
	51	47

7 Staff costs

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Staff costs (including Directors) comprise:		
Wages and salaries	**965**	634
Social security contributions and similar taxes	**90**	63
Pension contributions	**32**	14
	1,087	711

The difference between staff costs expensed to the consolidated statement of income and the table above represent the costs of production staff whose costs have been added to inventories.

The average number of employees of the Group, including Directors, during the year was 32 (December 2017: 25).

Directors' remuneration was as follows:

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
The total emoluments of all Directors during the year was:		
Emoluments (including benefits)	**258**	268
	258	268
Contributions to defined contribution pension plans	**9**	7
Total	**267**	275

Notes forming part of the financial statements continued

7 Staff costs (continued)

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Total emoluments for all directors excluding pension contributions:		
A Weeber	**36**	36
M Paul	**48**	48
C Holland	**79**	89
J Pollard	**65**	72
Lord Arbuthnot PC	**-**	-
P Bentham	**-**	-
M Clapp	**30**	23
I Robinson	**-**	-
Total	**258**	268

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Pension contributions		
J Pollard	**5**	4
C Holland	**4**	3
The emoluments of the highest paid Director during the year were:	**79**	89

The total emoluments for C Holland and J Pollard include benefits to the value of £4,000 (2017: £9,000) and £nil (2017: £nil) respectively.

The Directors are considered to be key management

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Key management personnel costs were as follows:		
Short term employment benefits	**258**	268
Social security contributions	**26**	24
Gain on shares issued to directors in the year	**-**	40
	284	332

8 Finance expenses

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Finance expenses		
Interest payable on borrowings	**104**	82
Amortisation of bank transaction costs	**4**	5
Discount expense on deep discount bond	**239**	382
Total finance expenses	**347**	469

9 Taxation

There is no current or deferred tax charge for the year (2017: £nil).

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Loss on ordinary activities before tax	**(1,767)**	(1,638)
Loss on ordinary activities at the standard rate of corporation tax in the UK for the year of 19% (December 2017: 19.25%)	**(336)**	(315)
Effects of:		
Expenses not deductible for tax purposes	**122**	106
Unprovided deferred tax movements on short term temporary differences	**(105)**	(78)
Unrecognised losses carried forward	**319**	246
Effect of changes in tax rate in prior years	**-**	41
Tax charge/(credit) for the year	**-**	-

No deferred tax asset has been recognised on unutilised taxable losses due to the lack of certainty over the taxable profits being available against which deductible temporary differences can be utilised in the future though this remains under review by the directors. The unutilised tax losses carried forward are £9,009,000 (December 2017: £6,938,000).

Notes forming part of the financial statements continued

10 Loss per share

Basic earnings per ordinary share are based on a loss of £1,767,000 (December 2017: £1,638,000) and ordinary shares 38,265,254 (December 2017: 31,169,077) of 1 pence each, being the weighted average number of shares in issue during the year.

	Loss £'000	Weighted average number of shares	Loss per Ordinary share pence
Year ended 31 December 2018	**(1,767)**	**38,265,254**	**(4.62)**
Year ended 31 December 2017	(1,638)	31,169,077	(5.26)

Gusbourne PLC has Warrants to subscribe for 8,175,216 Ordinary shares of 1 pence each in issue. Of these Warrants, 6,138,699 are exercisable at any time by the Warrant holder with an exercise price of 60 pence per share until 30 September 2019. The remaining 2,036,517 Warrants are also exercisable at any time by the Warrant Holder, with an exercise price of 75 pence per share until 31 July 2021. These warrants have not been included in the calculation of diluted earnings per share as they are antidilutive for the periods presented.

11 Intangibles

	Goodwill £'000	Brand £'000	Total £'000
Cost			
At 1 January 2018 and 31 December 2018	777	230	1,007
Impairment losses			
At 1 January 2018 and 31 December 2018	-	-	-
Net book value			
At 31 December 2017 and 31 December 2018	**777**	**230**	**1,007**

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

	December 2018 £'000	December 2017 £'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.

11 Intangibles (continued)

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 13.8% (December 2017: 13.1%) based on the Group's estimated weighted cost of capital. A growth rate of 2.5% has been applied over the term of the long term cash flow forecasts. The growth rate used is based on the long term average growth rate of the UK economy.

The discount rate used would need to increase to 17.6% to result in an impairment of the Goodwill.

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 2017	5,702	1,630	1,472	1,938	37	10,779
Additions	1,090	589	86	-	18	1,783
Transfers	-	-	(695)	695	-	-
Disposals	-	(6)	-	-	-	(6)
At 31 December 2017	**6,792**	**2,213**	**863**	**2,633**	**55**	**12,556**
At 1 January 2018	6,792	2,213	863	2,633	55	12,556
Additions	74	698	141	-	29	942
Transfers	-	-	(1,004)	1,004	-	-
Disposals	-	-	-	-	-	-
At 31 December 2018	**6,866**	**2,911**	**-**	**3,637**	**84**	**13,498**

Notes forming part of the financial statements continued

12 Property, plant and equipment (continued)

	Freehold land and buildings £'000	Plant, Machinery and motor Vehicles £'000	Vineyard establishment £'000	Mature vineyards £'000	Computer equipment £'000	Total £'000
Accumulated depreciation						
At 1 January 2017	159	511	-	154	25	849
Depreciation charge for the year	94	297	-	82	6	479
Depreciation on disposals	-	(2)	-	-	-	(2)
At 31 December 2017	**253**	**806**	**-**	**236**	**31**	**1,326**
At 1 January 2018	253	806	-	236	31	1,326
Depreciation charge for the year	125	389	-	112	12	638
Depreciation on disposals	-	-	-	-	-	-
At 31 December 2018	**378**	**1,195**	**-**	**348**	**43**	**1,964**
Net book value						
At 31 December 2017	6,539	1,407	863	2,397	24	11,230
At 31 December 2018	**6,488**	**1,716**	**-**	**3,289**	**41**	**11,534**

Within property, plant and equipment are assets with a carrying value of £79,000 (2017: £131,000) held under finance leases.

During the year £1,004,000 (2017 - £695,000) of vineyard establishment costs were transferred to mature vineyards at cost.

13 Biological produce

The fair value of biological produce was:

	2018 £'000	2017 £'000
At 1 January	-	-
Crop growing costs	1,191	1,048
Fair value of grapes harvested and transferred to inventory	(1,316)	(1,021)
Fair value movement in biological produce	125	(27)
At 31 December	**-**	**-**

13 Biological produce (continued)

The fair value of grapes harvested is determined by reference to estimated market prices less cost to sell at the time of harvest. The estimated market price for grapes used in respect of the 2018 harvest is £2,300 per tonne (2017: £2,300 per tonne).

A 10% increase in the estimated market price of grapes to £2,530 per tonne would result in an increase of £132,000 (2017: £102,000) in the fair value of the grapes harvested in the year. A 10% decrease in the estimated market price of grapes to £2,070 per tonne would result in a decrease of £132,000 (2017: £102,000) in the fair value of the grapes harvested in the year.

A fair value gain of £125,000 (2017: £27,000 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 2018 £'000	December 2017 £'000
Finished goods	123	90
Work in progress	5,159	3,394
Total inventories	**5,282**	**3,484**

During the year £449,000 (December 2017: £334,000) 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 2018 £'000	December 2017 £'000
Non current assets		
Other receivables	97	-
Current assets		
Trade receivables	318	165
Prepayments	122	31
Other receivables	56	85
Total trade and other receivables	**593**	**281**

Trade and other receivables are due within 1 year apart from £97,000 (December 2017: £nil) included within other receivables which is due in more than 1 year.

Notes forming part of the financial statements continued

15 Trade and other receivables (continued)

The Group undertakes a credit check on any new customers and also monitors the credit worthiness of existing customers. If a customer fails the credit checking process then they are required to make payment up front for any goods or services.

At 31 December 2018 the lifetime expected loss provision for trade receivables is 1% (£3,000) – 2017 1% (£2,000). This is based on expected credit losses from previous losses incurred by the Group.

16 Trade and other payables

	December 2018 £'000	December 2017 £'000
Trade payables	**272**	131
Accruals	**135**	194
Other payables	**38**	10
Total financial liabilities, excluding loans and borrowings classified as financial liabilities measured at amortised cost	**445**	335
Other payables - tax and social security payments	**38**	23
Total trade and other payables	**483**	358

Book values are approximate to fair value at 31 December 2018 and 31 December 2017.

17 Loans and borrowings

	December 2018 £'000	December 2017 £'000
Current liabilities:		
Bank loans	**34**	2,059
	34	2,059
Non current liabilities		
Bank loans	**2,059**	68
Deep Discount Bonds	**2,761**	2.522
Total loans and borrowings	**4,820**	2,590

17 Loans and borrowings (continued)

The Company entered into an arrangement on 31 May 2018 with Lord Ashcroft KCMG PC to receive a short term unsecured loan of £1,000,000. The loan carried interest for a period of 3 months following the date of the loan agreement at the rate of 7% per annum above the base rate as varied from time to time by Barclays Bank Plc, and thereafter 10% per annum. The short-term loan was repaid in full, with accrued interest, on 5 September 2018 as part consideration for Lord Ashcroft KCPMG PC's subscription for 4,504,510 new ordinary shares at £2.7 million.

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 November 2021. 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 (2017: £5,390,000) within property, plant and equipment and a floating charge over all other property and undertakings.

Other bank loans of £68,000 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 from January 2016.

The redemption amount of the deep discount bonds is £3,390,000, redeemable on 15 August 2021. Accrued discount of £239,000 has been charged to the statement of comprehensive income during the year.

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

	December 2018 £'000	December 2017 £'000
Bank loans:		
Within 1 year	**34**	2,059
1-2 years	**34**	34
2-5 years	**2,025**	34
Deep Discount Bonds:		
Within 1 year	**-**	-
1-2 years	**-**	-
2-5 years	**2,761**	2,522

Notes forming part of the financial statements continued

18 Finance Leases

	December 2018 £'000	December 2017 £'000
The minimum lease payments under finance leases fall due as follows:		
Within 1 year	**53**	56
2-5 years	**38**	91
	91	147
Future value of finance lease payments	**(11)**	(18)
Present value of finance lease liabilities	**80**	129
Of which:		
Within 1 year	**47**	49
2-5 years	**33**	80
	80	129

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 £79,000 (2017: £131,000) and are shown within property, plant and equipment (note 12).

19 Note supporting statement of cash flows

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

	December 2018 £'000	December 2017 £'000
Cash at bank available	1,307	1,463
Cash on hand	4	1
	1,311	1,464

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

	Non-current loans and borrowings £'000 (Note 17)	Current loans and borrowings £'000 (Note 17)	Non-current finance leases £'000 (Note 18)	Current finance leases £'000 (Note 18)
At 1 January 2017	6,322	34	130	51
Cash flows	-	(110)	-	(59)
Non cash flows				
– Loans and borrowings classified as non-current at 31 December 2016 becoming current during 2017	(2,059)	2,059	(50)	50
– Interest accruing in period	382	76	-	7
– Debt converted into equity	(2,055)	-	-	-
At 31 December 2017	**2,590**	**2,059**	**80**	**49**

Notes forming part of the financial statements continued

19 Note supporting statement of cash flows (continued)

	Non-current loans and borrowings £'000 (Note 17)	Current loans and borrowings £'000 (Note 17)	Non-current finance leases £'000 (Note 18)	Current finance leases £'000 (Note 18)
At 1 January 2018	2,590	2,059	80	49
Cash flows	(92)	(40)	-	(55)
Non cash flows				
– Loans and borrowings classified as non-current at 31 December 2017 becoming current during 2018	1,991	(1,991)	(47)	47
– Interest accruing in period	331	6	-	6
At 31 December 2018	**4,820**	**34**	**33**	**47**

20 Operating lease commitments

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

	December 2018 £'000	December 2017 £'000
Operating leases which expire:		
Within one year	64	64
Within two to five years	259	259
More than five years	2,621	2,686
	2,944	3,009

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 44 years (2017: 45 years) and include various terms including regular break clauses at the Group's option.

21 Share capital

	Ordinary shares of 50p each Number	Deferred shares of 49p each Number	Ordinary shares of 1p each Number	£'000
Issued and fully paid				
At 1 January 2017	23,639,762	-	-	11,820
Subdivision of Ordinary shares of 50p each	(23,639,762)	23,639,762	23,639,762	-
Issued for cash during the year	-	-	10,506,560	105
Share awards to directors	-	-	84,000	1
Bond conversion	-	-	5,136,662	51
At 31 December 2017	**-**	**23,639,762**	**39,366,984**	**11,977**
Issued for cash during the year		-	6,304,699	63
At 31 December 2018	**-**	**23,639,762**	**45,671,683**	**12,040**

On 5 September 2018 Gusbourne PLC issued, for cash, 6,221,699 new ordinary shares of 1 pence each at a price of 60 pence per share. These shares were fully subscribed and paid up. Furthermore, 6,221,699 Warrants were issued on a 1 for 1 basis to subscribers of new shares, at an exercise price of 60p per share. The exercise of these Warrants will be no later than 30 September 2019.

On 24 October 2018 the Company issued 75,000 new ordinary shares of 1p each pursuant to an exercise of Warrants. All Warrants were exercised at 60p per share.

On 12 November 2018 Gusbourne PLC issued 5,000 new ordinary shares of 1p each pursuant to an exercise of Warrants. All Warrants were exercised at 60p per share.

On 7 December 2018 Gusbourne PLC issued 3,000 new ordinary shares of 1p each pursuant to an exercise of Warrants. All Warrants were exercised at 60p per share.

Notes forming part of the financial statements continued

21 Share capital (continued)

Gusbourne PLC has Warrants to subscribe for 8,175,216 Ordinary shares of 1 pence each in issue. Of these Warrants, 6,138,699 are exercisable at any time by the Warrant holder with an exercise price of 60 pence per share until 30 September 2019. The remaining 2,036,517 Warrants are also exercisable at any time by the Warrant Holder, with an exercise price of 75 pence per share until 31 July 2021.

Unexercised Warrants as at 31 December 2018 amount to 8,175,216 Ordinary Shares of 1 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.
Retained earnings	The retained earnings represent cumulative net gains and losses recognised in the Group's statement of consolidated income.

23 Related party transactions

Deacon Street Partners Limited is considered a related party by virtue of the fact that Lord Ashcroft KCMG PC, the Company's ultimate controlling party, is also the ultimate controlling party of Deacon Street Partners Limited. During the year Deacon Street Partners Limited charged the Company in total £78,107 (December 2017 - £139,923). Of this £78,107 relates to management services (December 2017 - £139,923). There was £18,000 due to Deacon Street Partners Limited as at 31 December 2018 (December 2017 - £23,907).

Devonshire Club Limited, a company connected with Lord Ashcroft KCMG PC, purchased wine from the Group amounting to £10,131 (2017 - £10,534). A balance due from Devonshire Club Limited of £2,219 (2017 - £1,254) is shown within trade receivables.

On 18 June 2018, the Company lent £50,000 to an executive director to assist with a house purchase in the vicinity of the Group's vineyard and winery operations in Kent. The loan is interest free and repayable by instalments from July 2019 with full repayment due by May 2024. A balance of £50,000 was outstanding as at 31 December 2018.

23 Related party transactions (continued)

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

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

Deep discount bonds

Name	Balance as at 31 December 2016	Accrued discount to 31 December 2017	Converted into Ordinary shares of 1p each	Balance as at 31 December 2017	Accrued discount to 31 December 2018	Balance as at 31 December 2018
Lord Ashcroft KCMG PC	2,701,409	231,373	(1,669,500)	1,263,282	120,024	1,383,306
A Weeber	617,928	68,764	-	686,692	65,243	751,935
I Robinson	102,988	6,903	(109,891)	-		-
Lord Arbuthnot PC	10,299	690	(10,989)	-		-
M Paul	10,299	690	(10,989)	-		-
M Clapp	10,299	690	(10,989)	-		-
	3,453,222	**309,110**	**(1,812,358)**	**1,949,974**	**185,267**	**2,135,241**

Notes forming part of the financial statements continued

23 Related party transactions (continued)

Warrants exercisable at 75 pence each

Name	Held as at 31 December 2018 Number	Held as at 31 December 2017 Number
Lord Ashcroft KCMG PC	1,311,517	1,311,517
A Weeber	300,000	300,000
I Robinson	50,000	50,000
Lord Arbuthnot PC	5,000	5,000
M Paul	5,000	5,000
M Clapp	5,000	5,000
	1,676,517	**1,676,517**

The warrants exercisable at 75 pence each are exercisable at any time until 31 July 2021.

On 5 September 2018, the Company issued, for cash, 6,221,699 new ordinary shares of 1 pence each with 6,221,699 separable warrants to subscribe for 1 pence Ordinary shares at an exercise price of 60 pence each.

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

Warrants exercisable at 60 pence each

Name	New Warrants issued Number	Warrants exercised Number	Held as at 31 December 2018 Number
Lord Ashcroft KCMG PC	4,504,510	-	4,504,510
I Robinson	41,667	-	41,667
Lord Arbuthnot PC	25,000	(25,000)	-
M Paul	83,334	-	83,334
M Clapp	16,667	-	16,667
P Bentham	83,334	-	83,334
	4,754,512	**(25,000)**	**4,729,512**

The warrants exercisable at 60 pence each are exercisable at any time until 30 September 2019.

23 Related party transactions (continued)

The Company entered into an arrangement on 31 May 2018 with Lord Ashcroft KCMG PC to receive a short term unsecured loan of £1,000,000. The loan carried interest for a period of 3 months following the date of the loan agreement at the rate of 7% per annum above the base rate as varied from time to time by Barclays Bank Plc, and thereafter 10% per annum. The short-term loan was repaid in full, with accrued interest, on 5 September 2018 as part consideration for Lord Ashcroft KCPMG PC's subscription for 4,504,510 new ordinary shares at £2.7 million.

24 Subsequent events

On 9 April 2019, the Group announced that it had entered into a new long term farm business tenancy in respect of an additional 73 acres of land adjacent to its existing vineyards in West Sussex. The Company intends to plant additional vines on 57 acres of this land in 2020, which are expected to start producing grapes in 2022. The lease has a term of 50 years from September 2019 and will increase the Company's vineyards in West Sussex to 136 acres, with the total acreage under vine, including the 152 acres in Kent, of 288 acres following the new plantings.

In order to meet immediate working capital requirements, the Company (the "Borrower") entered into an agreement on 31 May 2019 with a company controlled by Lord Ashcroft KCMG PC (the "Lender") to receive an unsecured loan facility of up to £2,000,000 (the "Loan Agreement") which is repayable on 31 October 2019. The loan facility may be drawn down in amounts of no less than £250,000. The loan carries interest on the principal amount outstanding from time to time at the rate of 10% per annum and at 15% per annum in the event of default. To the extent that the Lender chooses, in its sole discretion to exercise any warrants it holds in the Borrower, the amount to be subscribed pursuant to such exercise ("the Subscription Amount") will be deemed to be satisfied to the extent of the amount outstanding in respect of the Loan and the amount of accrued but unpaid interest at the time of exercise or, if such amount is greater, to the extent of the Subscription Amount.

Under the terms of the Loan Agreement, should the loan not be repaid on 31 October 2019, the loan will become repayable on demand subject to such repayment not being in breach of the Company's existing banking facilities or if such repayment caused the Company to be unable to meet its creditors as they fall due.

Parent company financial statements

Company balance sheet

at 31 December 2018

	Note	December 2018 £'000	December 2017 £'000
Assets			
Non-current assets			
Investments	4	**21,200**	-
Other receivables	5	**47**	17,450
Current assets			
Trade and other receivables	5	**18**	8
Cash and cash equivalents		**1,113**	1,364
Total assets		**22,378**	18,822
Current liabilities			
Trade and other payables	6	**(164)**	(138)
Non-current liabilities			
Loans and borrowings	7	**(2,761)**	(2,522)
Total liabilities		**(2,925)**	(2,660)
Net assets		**19,453**	16,162
Issued capital and reserves attributable to owners			
Share capital	8	**12,040**	11,977
Share premium	9	**10,438**	6,754
Retained earnings	9	**(3,025)**	(2,569)
Total equity		**19,453**	16,162

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 £456,000 (2017: £675,000) 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 31 May 2019 and were signed on its behalf by Ian Robinson.

Ian Robinson

Secretary and Non-Executive Director

The notes on pages 71 to 74 form part of these financial statements

Statement of cash flows
for the year ended 31 December 2018

	Note	31 December 2018 £'000	31 December 2017 £'000
Cash flows from operating activities			
Loss for the year before tax		(456)	(675)
Adjustments for:			
Finance expense		239	382
Increase in trade and other payables	6	3	59
Increase in trade and other receivables		(57)	-
Gain on shares issued to directors in the year		-	40
Cash outflow from operations		(271)	(194)
Investing activities			
(Increase)/Decrease in Intercompany loan	5	(3,727)	(3,514)
Net cash from investing activities		(3,727)	(3,514)
Financing activities			
Issue of ordinary shares*		2,783	3,203
Share issue expenses		(36)	(162)
Short term loan*		1,000	1,000
Net cash from financing activities		3,747	4,041
Net increase/(decrease) in cash and cash equivalents		(251)	333
Cash and cash equivalents at the beginning of the year		1,364	1,031
Cash and cash equivalents at the end of the year		1,113	1,364

***Non-cash transaction**

The short term loan of £1,000,000 received in the year ended 31 December 2017 was used as part settlement of monies due under the share subscription which completed 29 June 2017.

The short-term loan of £1,000,000 received in the year ended 31 December 2018 was used as part settlement of monies due under the share subscription which completed on 11 September 2018.

The notes on pages 71 to 74 form part of these financial statements

Statement of changes in equity

for the year ended 31 December 2018

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total attributable to equity holders £'000
1 January 2017	**11,820**	**815**	**(1,934)**	**10,701**
Comprehensive loss for the year	-	-	(675)	(675)
Contributions by and distributions to owners:				
Share issue	106	4,098	-	4,204
Share issue expenses	-	(162)	-	(162)
Bond conversion	51	2,003	-	2,054
Gain on shares issued to directors in the year	-	-	40	40
31 December 2017	**11,977**	**6,754**	**(2,569)**	**16,162**
1 January 2018	**11,977**	**6,754**	**(2,569)**	**16,162**
Comprehensive loss for the year	-	-	(456)	(456)
Contributions by and distributions to owners:				
Share issue	63	3,720	-	3,783
Share issue expenses	-	(36)	-	(36)
31 December 2018	**12,040**	**10,438**	**(3,025)**	**19,453**

The notes on pages 71 to 74 form part of these financial statements.

Notes forming part of the company financial statements

for the year 31 December 2018

1 Accounting policies

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

The following principal accounting policies have been applied:

Basis of preparation

The parent company financial statements are prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union. The Company's accounting policies are aligned with the Group's accounting policies as described in note 1 of the Group's consolidated financial statements. Additional accounting policies are noted below.

Investment in subsidiaries

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

2 Credit risk

The Company is exposed to credit risk in respect of the loans recoverable from other Group companies amounting to £nil (2017: £17,450,000) and will only be repaid once the Group companies are profitable.

3 Directors and employees

The average number of staff employed by the Company during the year (comprising solely of Directors) was 8 (2017-18).

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

4 Investments

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

Name	Country of incorporation	Proportion of ownership interest at 31 December 2018
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.

The increase in investment in the subsidiary, Gusbourne Estate Limited, was an issue of new shares in exchange for the settlement of intergroup debt at £21,200,000. There was no impact on cash movements in the year ended 31 December 2018.

Notes forming part of the company financial statements continued

5 Trade and other receivables

	December 2018 £'000	December 2017 £'000
Non-current assets		
Amounts due from group undertakings	-	17,450
Trade and other receivables	**47**	-
Current assets		
Trade and other receivables	**10**	-
Prepayments and accrued income	**8**	8
Total current assets	**18**	8
	65	17,458

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

Included in trade and receivables is an amount due from a director of £50,000. £3,000 is due within one year and £47,000 is due for repayment by July 2024. Further details are shown in note 11.

6 Trade and other payables

	December 2018 £'000	December 2017 £'000
Current liabilities		
Trade payables	**59**	21
Accruals and deferred income	**82**	116
Amounts due to group undertakings	23	–
Other payables	-	1
Total current liabilities	**164**	138

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 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 2018 is Lord Ashcroft KCMG PC.

11 Related party transactions

Deacon Street Partners Limited is considered a related party by virtue of the fact that Lord Ashcroft KCMG PC, the Company's ultimate controlling party, is also the ultimate controlling party of Deacon Street Partners Limited. During the year Deacon Street Partners Limited charged the Company in total £78,107 (December 2017 - £139,923). Of this £78,107 relates to management services (December 2017 - £139,923). There was £18,000 due to Deacon Street Partners Limited as at 31 December 2018 (December 2017 - £23,907).

On 18 June 2018, the Company lent £50,000 to an executive director to assist with a house purchase in the vicinity of the Group's vineyard and winery operations in Kent. The loan is interest free and repayable by instalments from July 2019 with full repayment due by May 2024. A balance of £50,000 was outstanding as at 31 December 2018.

The Company entered into an arrangement on 31 May 2018 with Lord Ashcroft KCMG PC to receive a short term unsecured loan of £1,000,000. The loan carried interest for a period of 3 months following the date of the loan agreement at the rate of 7% per annum above the base rate as varied from time to time by Barclays Bank Plc, and thereafter 10% per annum. The short-term loan was repaid in full, with accrued interest, on 5 September 2018 as part consideration for Lord Ashcroft KCPMG PC's subscription for 4,504,510 new ordinary shares at £2.7 million.

12 Subsequent events

In order to meet immediate working capital requirements, the Company (the "Borrower") entered into an agreement on 31 May 2019 with a company controlled by Lord Ashcroft KCMG PC (the "Lender") to receive an unsecured loan facility of up to £2,000,000 (the "Loan Agreement") which is repayable on 31 October 2019. The loan facility may be drawn down in amounts of no less than £250,000. The loan carries interest on the principal amount outstanding from time to time at the rate of10% per annum and at 15% per annum in the event of default. To the extent that the Lender chooses, in its sole discretion to exercise any warrants it holds in the Borrower, the amount to be subscribed pursuant to such exercise ("the Subscription Amount") will be deemed to be satisfied to the extent of the amount outstanding in respect of the Loan and the amount of accrued but unpaid interest at the time of exercise or, if such amount is greater, to the extent of the Subscription Amount.

Notes forming part of the company financial statements continued

12 Subsequent events (continued)

Under the terms of the Loan Agreement, should the loan not be repaid on 31 October 2019, the loan will become repayable on demand subject to such repayment not being in breach of the Company's existing banking facilities or if such repayment caused the Company to be unable to meet its creditors as they fall due.

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
Gusbourne
Kenardington Road
Appledore
Ashford
Kent
TN26 2BE

Company number

08225727

Auditors

BDO LLP
55 Baker Street
London
W1U 3EU

Nominated adviser and broker

Cenkos Securities PLC
6.7.8 Tokenhouse Yard
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EC2R 7AS

Solicitors

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

Bankers

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

Registrars

Link Asset Services
34 Beckenham Road
Beckenham
Kent
BR3 4TU

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.

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