21 September 2020

Gusbourne Plc

("Gusbourne" or the "Company")

Half Yearly Report

Gusbourne Plc, the English sparkling wine producer, is today pleased to announce its unaudited interim results for the six months ended 30 June 2020.

Highlights

- Net revenue [(1)] up by 24% to £890,000 (30 June 2019: £716,000)
- Gross profit [(2)] up by 23% to £518,000 (30 June 2019: £421,000)
- Adjusted EBITDA [(3)] loss of £603,000 (30 June 2019: £609,000)
- Completion of a £10.5 million asset-based lending facility with PNC Financial Services UK Ltd ("PNC")
- Significant growth in sales from direct to consumer and export channels offsetting our traditional channels following the impact of COVID-19 on our traditional UK trade channels.
- Ongoing success in international wine competitions with a total of 32 medals awarded to date in 2020, including twelve gold medals, two trophies, and the Judges Selection Medal in the prestigious Texsom awards in the United States in February.

Charlie Holland, Chief Winemaker and Chief Executive Officer commented:

"We are delighted to report year on year revenue growth of 24% over the last six months, despite the challenges presented by COVID-19. We intend to continue to produce and sell a range of vintage wines of exceptional quality from grapes grown in our own vineyards, and to further grow and develop the business in a manner which remains consistent with the aspirations for the Gusbourne brand.

Warm spring weather led to an early and successful flowering indicative of good yield potential. Less intensity of warmth as we entered the ripening period will slightly lengthen the time to harvest allowing for the complexities of flavour to mature. The prospects for the quality of the grapes, which are due to be harvested shortly, remain high as in previous years.

Current trading reflects continuing sales growth combined with the careful management of costs and liquidity. We remain confident about the long term prospects of the business."

[(1)] Net revenue is revenue reported by the Company after excise duties payable and grants received.

[(2)] Gross profit is reported by the Company after excise duties payable and grants received.

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

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Note: This announcement and other press releases are available to view at the Company's website: www.gusbourneplc.com

Note to Editors

Gusbourne PLC ("the Company") is engaged, through its wholly owned subsidiary Gusbourne Estate Limited (together the "Group"), in the production and distribution of a range of high quality and award winning English sparkling wines from grapes grown in its own vineyards in Kent and West Sussex. The majority of the Group's mature vineyards are located at its freehold estate at Appledore in Kent where the winery is also based.

Financials

Results for the six months ended 30 June 2020

Net revenue for the period amounted to £890,000 (2019: £716,000), an increase of 24% on the corresponding period last year.

Operating expenses of £1,529,000 (2019: £1,377,000), included depreciation of £336,000 (2019: £347,000) and also included planned increased expenditure on sales and marketing costs reflecting continuing investment in the development and future growth of the business and its sales beyond the current financial year. This increased investment is expected to drive future revenue growth in future periods and also reflects the confidence the directors have in the Gusbourne brand.

Adjusted EBITDA for the year was a loss of £603,000 (2019: £609,000). The operating loss for the year after depreciation and amortisation was £1,116,000 (2019: £967,000). The loss before tax was £1,568,000 (2019: £1,137,000) after net finance costs of £452,000 (2019: £170,000).

These losses were in line with the directors 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. The Group is focused on achieving 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 ongoing investment in, and development of, the Group’s business, net of income from wine sales. The Group invested in plant and equipment for the vineyards and the winery amounting to £167,000 (2019: £197,000).

Total assets at 30 June 2020 of £23,899,000 (2019: £21,523,000) include freehold land and buildings of £6,319,000 (2019: £6,433,000), vineyards of £3,076,000 (2019: £3,222,000), right of use assets of £2,045,000 (2019: £1,471,000), biological assets (grapes) of £660,000 (2019: £707,000), inventories of wine stocks amounting to £7,669,000 (2019: £5,752,000), and cash of £473,000 (2018: £481,000). Intangible assets of £1,007,000 (2019: £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.

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 30 June 2020 amount to £9,619,000 (2019: £12,166,000) and represent 91% of total equity (2019: 92%). Net tangible assets per share at 30 June 2020 was 20.7 pence (2019: 26.6 pence). 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 and debt which comprises loans, lease liabilities, other borrowings and deep discount bonds. At 30 June 2020 debt amounted to £12,133,000 (2019: £7,250,000) and represents 114% of total equity (2019: 55%).

On 1 June 2020, Gusbourne announced that its subsidiary Gusbourne Estate Limited has entered into an agreement with PNC Business Credit, a trading style of PNC Financial Services UK Ltd, for up to £10.5m of asset-based lending facilities. (the "PNC Facilities"). The PNC Facilities will primarily be used to provide working capital for the Group. It will also be used to refinance certain existing loan facilities.

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

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

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

Following these repayments Franove Holdings Limited has agreed to extend the repayment date of its outstanding loan of £0.5m to 15 August 2021, at the same 15% rate of interest, with the loan becoming secured behind PNC at the same ranking as the existing outstanding deep discount bonds issued by the Company. Gusbourne Estate Limited has also agreed with Franove that in the event it seeks to repay its loans (excluding its PNC facilities) further, the repayment of the Franove Holdings Limited loan will take priority.

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

The Board have assessed the ability of the Group to repay its existing deep discount bonds and a short-term loan which are due for maturity in August 2021. The Board believe that the Group will be able to raise further equity and/or debt funds to repay or refinance these amounts as and when they fall due. Additional funding will continue to 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.

Recent awards

We have continued our success in major wine competitions winning 32 medals (to date) at national and international competitions, where we are judged against some of the finest wines from around the world. Awards received during the year include:

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

Current trading and outlook

Warm spring weather led to an early and successful flowering indicative of good yield potential. Less intensity of warmth as we entered the ripening period will slightly lengthen the time to harvest allowing for the complexities of flavour to mature. The prospects for the quality of the grapes, which are due to be harvested shortly, remain high as in previous years. The vines will remain subject to the normal seasonal climatic and disease risks throughout the remaining part of the growing season. Excellent yields from the 2019 harvest have allowed us to increase our wine stocks for future sales.

The Company experienced a strong start to trading in the first three months of the year with revenue performance ahead of directors’ expectations. However, since the end of March 2020, the Company’s distribution channels have been impacted by COVID-19. The Company has engaged in a number of new sales initiatives to mitigate this impact and the directors are pleased to report increasing demand for wine in some channels, especially online. With the vast majority of our on-trade customer base now reopened for business we are optimistic about further sales growth in the second half of the year.

On the production side, both vineyard and winery operations have continued to work through the lockdown with appropriate safety protocols put in place. The Company furloughed a number of staff members, particularly in the sales function and took various steps to reduce costs at during the national lockdown period. As normal trading resumes, we are delighted to report that the vast majority of staff have now returned from furlough.

Whilst the immediate outlook for sales still remains uncertain due to COVID-19, the directors remain confident about the Group’s long term prospects.

We are delighted to have secured significant asset-based financing facilities from PNC and which aligns with the working capital requirements of the business. We are pleased to welcome PNC as a key stakeholder and look forward to working with them as we continue to develop our business over the coming years.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2020

	Note	Unaudited Six months to 30 June 2020 £'000	Unaudited Six months to 30 June 2019 £'000	Audited Year ended 31 December 2019 £'000
Revenue	**2**	**1,021**	**794**	**1,845**
Excise duties		(59)	(78)	(192)
Net revenue		**962**	**716**	**1,653**
Cost of sales		(372)	(295)	(735)
Gross profit		**590**	**421**	**918**
Fair value movement in biological assets	6	(177)	(11)	-
Fair movement in biological produce	6	-	-	(172)
Administrative expenses		(1,529)	(1,377)	(2,902)
Loss from operations		**(1,116)**	**(967)**	**(2,156)**
Finance expense	4	(452)	(170)	(445)
Loss before tax		**(1,568)**	**(1,137)**	**(2,601)**
Tax expense		-	-	-
Loss for the period attributable to owners of the parent		**(1,568)**	**(1,137)**	**(2,601)**
Loss per share attributable to the ordinary equity holders of the parent:				
Basic and diluted		(3.37p)	(2.49p)	(5.67p)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2020

	Notes	Unaudited 30 June 2020	Unaudited 30 June 2019	Audited 31 December 2019
Assets		**£'000**	**£'000**	**£'000**
Non-current assets				
Intangibles		**1,007**	**1,007**	1,007
Property, plant and equipment	5	**13,062**	**12,845**	13,231
Other receivables		**40**	**-**	90
		14,109	**13,852**	**14,328**
Current assets				
Biological assets	6	**660**	**707**	-
Inventories	7	**7,669**	**5,752**	7,463
Trade and other receivables		**988**	**731**	707
Cash and cash equivalents		**473**	**481**	1,009
		9,790	**7,671**	**9,179**
Total assets		**23,899**	**21,523**	**23,507**
Liabilities				
Current liabilities				
Trade and other payables		**(1,140)**	**(1,100)**	(752)
Finance leases		**-**	**(43)**	-
Lease liabilities		**(123)**	**(68)**	(123)
Loans and borrowings	8	**-**	**(787)**	(3,379)
		(1,263)	**(1,998)**	**(4,254)**
Non-current liabilities				
Loans and borrowings	8	**(10,017)**	**(4,923)**	(5,026)
Lease liabilities		**(1,993)**	**(1,415)**	(2,033)
Finance leases		**-**	**(14)**	-
		(12,010)	**(6,352)**	**(7,059)**
Total liabilities		**(13,273)**	**(8,350)**	**(11,313)**
NET ASSETS		**10,626**	**13,173**	**12,194**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
At 30 June 2020

Issued capital and reserves attributable to owners of the parent			
Share capital	**12,048**	**12,040**	12,048
Share premium	**10,915**	**10,438**	10,915
Merger reserve	**(13)**	**(13)**	(13)
Retained earnings	**(12,324)**	**(9,292)**	(10,756)
TOTAL EQUITY	**10,626**	**13,173**	**12,194**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2020

	Unaudited Six months to 30 June 2020 £'000	Unaudited Six months to 30 June 2019 £'000	Audited Year ended 31 December 2019 £'000
Cashflows from operating activities			
Loss for the year/period before tax	**(1,568)**	(1,137)	(2,601)
Adjustments for:			
Depreciation of property, plant and equipment	**336**	347	699
Finance expense	**452**	170	445
Movement in biological assets	**(660)**	(695)	-
Fair value movement in biological asset	**-**	-	172
(Increase) in trade and other receivables	**(120)**	(138)	(209)
Increase in inventories	**(163)**	(470)	(2,220)
Increase in trade and other payables	**388**	617	269
Cash outflow from operations	**(1,335)**	**(1,306)**	**(3,445)**
Investing activities			
Purchases of property, plant and equipment, excluding vineyard establishment	**(167)**	(197)	(339)
Sale of property, plant and equipment	**-**	10	11
Net cash from investing activities	**(167)**	**(187)**	**(328)**
Financing activities			
Loan repayments	**(3,253)**	(17)	(34)
New loans issued	**4,638**	750	3,250
Loan issue costs	**(124)**	-	(15)
Repayment of lease liabilities	**(83)**	(23)	(125)
Interest paid	**(212)**	(47)	(90)
Issue of ordinary shares	**-**	-	485
Net cash from financing activities	**966**	**663**	**3,471**

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the six months ended 30 June 2020

	Unaudited Six months to 30 June 2020 £'000	Unaudited Six months to 30 June 2019 £'000	Audited Period to 31 December 2019 £'000
Net increase/(decrease) in cash and cash equivalents	**(536)**	(830)	(302)
Cash and cash equivalents at beginning of period	**1,009**	1,311	1,311
Cash and cash equivalents at end of period	**473**	481	1,009

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2020

Audited:	**Share capital £'000**	**Share premium £'000**	**Merger reserve £'000**	**Retained earnings £'000**	**Total attributable to equity holders of parent £'000**
31 December 2018	**12,040**	**10,438**	**(13)**	**(8,155)**	**14,310**
Share issue	-	-	-	-	-
Share issue expenses	-	-	-	-	-
Comprehensive loss for the period	-	-	-	(1,137)	(1,137)
30 June 2019	**12,040**	**10,438**	**(13)**	**(9,292)**	**13,173**
Share issue	8	477	-	-	485
Comprehensive loss for the period	-	-	-	(1,464)	(1,464)
31 December 2019	**12,048**	**10,915**	**(13)**	**(10,756)**	**12,194**
Unaudited:					
Comprehensive loss for the period	-	-	-	(1,568)	(1,568)
30 June 2020	**12,048**	**10,915**	**(13)**	**(12,324)**	**10,626**

NOTES TO THE ACCOUNTS
For the six months ended 30 June 2020

1 Statement of accounting policies

The interim financial statements have been prepared in accordance with the recognition and measurement principles as adopted by the EU, applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 December 2019 and are consistent with the accounting policies expected to apply in its financial statements for the year ended 31 December 2020.

The financial information for the six months ended 30 June 2020 has not been subject to an audit nor a review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Auditing Practices Board. The comparative financial information presented herein for the year ended 31 December 2019 does not constitute full statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Group's annual report and accounts for the year ended 31 December 2019 have been delivered to the Registrar of Companies. The Group's independent auditor's report was unqualified and did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006.

Basis of preparation

The Board of the Company continually assesses and monitors the key risks of the business. These risks have not significantly changed from those set out in the Company's Annual Report for the period ended 31 December 2019.

Going concern

The Directors believe the Group to be a going concern on the basis that it has sufficient cash available from committed facilities to continue operations for at least 12 months from the date these financial statements were approved and in addition will not breach any of its key covenants during this period.

In coming to their conclusion, the Directors have considered the Group's profit and cash flow plans for the coming period, and in the light of the outbreak of COVID-19 have run various downside "stress test" scenarios. These scenarios assess the impact of COVID-19 on the Group over the next 12 months and in particular on the Group's sales through its key distribution channels. These stress tests indicate the Group can withstand any ongoing adverse impact on revenues for at least the next 12 months.

In addition, these stress test scenarios assess the Group's potential debt requirements against the Group's £10.5m asset-based lending facility, of which c. £5.9m was undrawn on 30 June 2020. The stress test scenarios do not show a requirement in excess of the Group's undrawn facilities nor do they show the Group breaching any of its key covenant tests on the monthly testing points which start from 31 December 2020.

The stress test scenarios also include certain cost mitigation actions, including but not limited to furloughing of certain staff, operating cost reductions and reduced capital expenditure.

Under the significant stress test scenarios, we have run, the Group could withstand a material and prolonged adverse impact on revenues and continue to operate within the available lending facilities. Accordingly, the Group and the Company continues to adopt the going concern basis in preparing its Financial Statements.

The Board have also assessed the ability of the Group to repay its existing deep discount bonds and a short-term loan which are due for maturity in August 2021. The Board believe that the Group will be able to raise further equity and/or debt funds to repay or refinance these amounts as and when they fall due as well as providing additional funds for further development of the Group.

The financial statements do not include any adjustments should the going concern basis of preparation be inappropriate.

2 Revenue

	Unaudited 30 June 2020 £'000	Unaudited 30 June 2019 £'000	Audited 31 December 2019 £'000
Wine sales	**895**	746	1,717
Other income	**54**	48	128
Grants	**72**	-	-
Total Revenue	**1,021**	**794**	**1,845**

3 Loss from operations

Loss from operations has been arrived at after charging:

	Unaudited 30 June 2020 £'000	Unaudited 30 June 2019 £'000	Audited 31 December 2019 £'000
Depreciation of property, plant and equipment	336	347	699
Staff costs expensed to consolidated statement of income	443	389	835

4 Finance expense

	Unaudited 30 June 2020 £'000	Unaudited 30 June 2019 £'000	Audited 31 December 2019 £'000
Finance expense			
Interest payable on borrowings	**296**	47	200
Amortisation of bank transaction costs	**13**	3	5
Discount expense on deep discount bonds	**143**	120	240
Total finance expense	**452**	**170**	**445**

5 Property, plant and equipment

	Unaudited 30 June 2020 £'000	Unaudited 30 June 2019 £'000	Audited 31 December 2019 £'000
Freehold land and buildings	**6,319**	6,433	6,383
Plant, machinery and motor vehicles	**1,592**	1,682	1,604
Mature vineyards	**3,076**	3,222	3,144
Computer equipment	**30**	37	32
Right of use assets	**2,045**	1,471	2,068
	13,062	**12,845**	**13,231**

Right of use assets

Right of use assets comprise land leases on which vines have been planted and property leases from which vineyard operations are carried out from.

6 Biological assets

Biological assets represent grapes growing on the Group's vines. Once the grapes are harvested they are deemed to be Biological produce and transferred to inventories.

	Unaudited 30 June 2020 £'000	Unaudited 30 June 2019 £'000	Audited 31 December 2019 £'000
Crop growing costs	**837**	718	1,510
Fair value of grapes harvested and transferred to inventories	**-**	-	(1,338)
Fair value movement in biological assets	**(177)**	(11)	-
Fair value movement in biological produce	**-**	-	(172)
Fair value of biological assets at the reporting date	**660**	**707**	**-**

The fair value of biological assets at the reporting date is determined by reference to estimated market prices less costs to sell. The estimated market price for grapes used in respect of 2020 is £2,300 (2019: £2,300) per tonne. The fair value is subject to a discount factor of 55% (2019: 50%) due to the grapes, as at the reporting date, being approximately 3 months away from being ready for harvest.

A 10% increase in the estimated market price of grapes to £2,530 per tonne would result in an increase of £72,000 in the fair value of biological assets at the reporting date. A 10% decrease in the estimated market price of grapes to £2,070 per tonne would result in a decrease of £71,000 in the fair value of biological assets at the reporting date.

7 Inventories

	Unaudited 30 June 2020 £'000	Unaudited 30 June 2019 £'000	Audited 31 December 2019 £'000
Finished goods	**140**	139	440
Work in progress	**7,529**	5,613	7,023
	7,669	**5,752**	**7,463**

8 Loans and borrowings

	Unaudited 30 June 2020 £'000	Unaudited 30 June 2019 £'000	Audited 31 December 2019 £'000
Current liabilities			
Bank loans	**-**	34	34
Other loans	**-**	753	3,345
	-	**787**	3,379
Non-current liabilities			
Bank loans	**4,638**	2,042	2,025
Other loans	**506**	-	-
Deep Discount Bonds	**4,873**	2,881	3,001
Total loans and borrowings	**10,017**	**4,923**	5,026

On 1 June 2020, Gusbourne announced that its subsidiary Gusbourne Estate Limited has entered into an agreement with PNC Business Credit, a trading style of PNC Financial Services UK Ltd, for up to £10.5m of asset-based lending facilities. (the "PNC Facilities"). The PNC Facilities will primarily be used to provide working capital for the Group. It will also be used to refinance certain existing loan facilities.

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

On completion approximately £4.6m of the PNC Facilities was drawn down by Gusbourne Estate Limited with approximately £2.1m being used to repay the existing secured Barclays bank facilities in full, £1.3m used to part repay the existing short term loans to Franove Holdings Limited and a company controlled by Lord Ashcroft KCMG PC. The balance of £1.2m was drawn down for working capital purposes. Further drawdowns will be made from time to time in line with the needs of the business.

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

Following these repayments Franove Holdings Limited has agreed to extend the repayment date of its outstanding loan of £0.5m to 15 August 2021, at the same 15% rate of interest, with the loan becoming secured behind PNC at the same ranking as the existing outstanding deep discount bonds issued by the Company. Gusbourne Estate Limited has also agreed with Franove that in the event it seeks to repay its loans (excluding its PNC facilities) further, the repayment of the Franove Holdings Limited loan will take priority.

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