

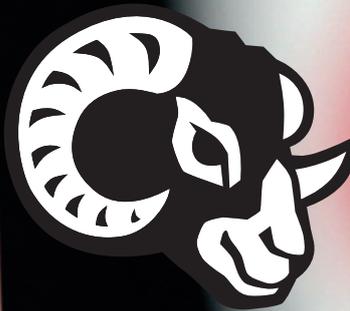
MASHAM
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BLACK



SHEEP



REPORT & ACCOUNTS 2018

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THE BLACK SHEEP BREWERY PLC

Officers and professional advisers

The Board of Directors

Andrew Slee (Chairman)
Robert Theakston (Managing Director)
Stephen Constable (Finance Director)
Jo Theakston (Sales & Marketing Director)
Paul Nolan (Non-Executive)
Paul Theakston (Non-Executive)

Company Secretary

Stephen Constable

Registered office

Wellgarth
Masham
Ripon
North Yorkshire
HG4 4EN

Registrars

Link Asset Services
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Auditor

RSM UK Audit LLP
Chartered Accountants
Fifth Floor
Central Square
29 Wellington Street
Leeds
LS1 4DL

Bankers

Lloyds Bank plc
Thirsk Branch
PO Box 1000
BX1 1LT

Solicitors

Eversheds Sutherland (International) LLP
Bridgewater Place
Water Lane
Leeds
LS11 5DR

Chairman's Statement

Black Sheep is at a seminal moment in its 26 year history. In this, my first Chairman's Statement, I would like to cover three themes; phase one of the Black Sheep recovery plan, improved confidence and the next steps on our journey.

Phase 1 – return the core business to profitability

I am delighted to report for the first time in five years Black Sheep has made a profit. The credit for that should go to Rob Theakston and the Brewery team who have delivered a “three card trick” of increased revenue (in a declining market), increased margin per barrel helped by a successful programme of new product development, with both of these delivered alongside a fall in operating expenses versus last year.

I am most pleased with the Company's increasing reputation for producing innovative new beers of a high quality and consistency. This has been reflected in a number of beer awards and an industry award as “Beer Champion” for which we beat much bigger organisations to the prize.

Confidence

Those who attended the AGM last year will have heard me speak about the importance of “confidence”. When I joined the Board in 2016, it was apparent that in the main the outside world had a higher regard for Black Sheep than was sometimes the case internally. After five years of losses it's easy to understand, but last year's financial performance and external accolades have grown the confidence of the Black Sheep team and customers.

For example, we have made progress in the off trade with our new products, especially Black Sheep's first Lager, 54 Degrees North.

This renewed confidence is also illustrated by our sponsorship of the Tour de Yorkshire. Black Sheep beat off competition from much larger brewers to play an integral role in the success of an event at the heart of the Yorkshire community that is so important to us.

Stakeholder confidence is critical to the long-term success of any organisation. Although difficult to measure, I am pleased to report it is growing at Black Sheep.

Next steps

Nobody at Black Sheep is complacent that our job is completed with these results. Our priority has been to return the core business to profitability, but at the same time have a keen eye to the future. UK businesses live in interesting times. For us, there is the added challenge of paying nearly 40% of our turnover in UK beer duty.

I was part of a small industry delegation to the Treasury ahead of the Beer Duty freeze achieved in the November Budget. At that meeting I shared the fact that Black Sheep's Beer Duty bill alone is 5.5 times greater than eBay's corporation tax bill on their declared turnover of over £200m.

Many thanks to those of you that highlighted this message to your MP as part of CAMRA's pre-budget campaign in the autumn.

Whilst campaigning with the industry for reform of this punitive tax remains on my personal agenda, the Board has also been working hard on the opportunities we have directly in our control.

The Board believes maintaining sustainable long-term profit growth from the current business model will continue to be challenging. As noted in the 2018 CAMRA Members Investment Club annual report, there are few breweries above the size of microbreweries which do not have a retail operation.



Chairman's Statement continued

Furthermore, after Beer Duty and employee costs, the next highest cash commitment to the business is third party packaging costs for bottled products.

The Board is acutely aware that meaningful investment in retail and packaging could deliver long term sustainable growth in profits for Black Sheep Brewery and are actively looking at these areas.

I look forward to sharing them in more detail at our AGM in September.

With many thanks for your continued support and confidence in Black Sheep.

Andrew Slee
Chairman

19th July 2018

The Managing Directors' report

It has been another year of progress in Black Sheep's life, as we moved forward in our 25th year. I know that you are aware that we have had 5 years of tough trading as we attempted to move the business to a more relevant position for the world in which we trade. I have talked in the past about the need to continually reshape both in terms of the beers that we offer and the relevancy of the Black Sheep brand to make sure that what we have excites and interests the world in which we now all live. The themes that I have mentioned in the past continued in this last financial year, and the steps that we took to run the brewery at a more competitive level and trade in the more fruitful sectors of the market are starting to filter through in our day to day. We as a business have been focussed on maintaining the strong brand and developing margins so that the long-term future of Black Sheep can be secured. Hopefully you have started to see that when you visit your local pubs and supermarkets.

I am pleased to report this year that we have achieved our goal and posted a profit before taxation, albeit a small one. This represents a solid shift forward on the previous years. We have seen our turnover grow to £18,597,513 in this last financial year; an increase of 3.3%. This is off the backdrop of the cask market being down 7% year on year, and positive year on year volume growth in the off-trade, which I think is a great team effort to achieve what we have in the course of the year, and my thanks go to all those involved in the day to day running of Black Sheep.

The board have been focussed on the exciting next steps for the brewery as we recognise there is no time to stand still, and we must push forward both in terms of developing the craft beers through the 5 Barrel Project (follow their work on Instagram: 5_Barrel_Project) that we showcased at Craft Beer Rising to great acclaim, continuing to develop the listings for our new beers such as Venus and Mars and 54 Degrees North Lager which is in national distribution in the off-trade, without losing sight of our core brands in the Yorkshire region.

What gives us heart in the busy market is that we continue to win awards for our beers both new and old, with Glug M'Glug recently winning the SIBA Small Pack Champion Porters and Stouts at Beer X as an example. Also, we are proud to have been nominated in the year by the BBPA as "beer champion" in recognition of our contribution to the beer industry over our 25 year life; testament I think that we are on the right track. Please keep an eye out on social media for exciting new additions, you can follow us on Facebook (@blacksheepbrewery), and twitter (@blacksheepbeer).

We have also spent three weeks in January refurbishing the Visitor centre, which was long overdue. This was a true team effort with local trades and all the Visitor centre staff donning their overalls and wrestling paint brushes, bringing a fresh visual face to the changes we have made behind the scenes. We continue to push the brand out into the wider local region with continued sponsorship of Yorkshire County Cricket, and recently becoming the official beer of the Tour de Yorkshire helping to cement our position as a great Yorkshire brewer.

The uncertainty remains in terms of headwinds, but we are building a business that is more resilient to the changes that we face, and everyone is committed to pushing us on into an exciting future. See you at the AGM in September.

A handwritten signature in black ink that reads "Rob Theakston".

Robert Theakston
Managing Director

19th July 2018



THE BLACK SHEEP BREWERY PLC

The Directors' report

The directors present their report and the financial statements of the company for the year ended 31 March 2018.

Principal activity

The principal activity of the company during the year was brewing for sale.

Results and dividends

The profit for the year after taxation amounted to £1,281. No dividends were paid or proposed. Further details on results are provided in the profit and loss account on page 12 and in the five-year summary on page 33 which includes key performance indicators.

The directors and their interests in the shares of the company

The directors who served the company during and after the year together with their beneficial interests in the shares of the company were as follows:

Ordinary Shares of £1 each:

	At 31 March 2018	At 1 April 2017
Andrew Slee (Chairman)	3,500	-
Robert Theakston (Managing Director)	6,256	6,256
Stephen Constable (Finance Director)	7,484	7,484
Jo Theakston (Sales & Marketing Director)	11,050	11,050
Paul Nolan (Non-Executive)	3,500	-
Paul Theakston (Non-Executive)	137,844	144,844

Directors' share options are shown in note 18 to the financial statements.

The Company has made qualifying third-party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Statement of corporate governance

The Board has a formal schedule of matters specifically referred to it for decision and the Board retains full and effective control of the company, determining strategic policies and objectives and monitoring achievement of those objectives and compliance with policies. The non-executive directors bring an independent judgement to bear on issues of strategy, performance, resources and standard of conduct.

Policy on the payment of creditors

The company agrees terms and conditions which include payment details with its suppliers. Payment is made in accordance with those terms and conditions, provided the supplier has complied with them. The average number of trade creditor days as at 31 March 2018 was 38 days (2017 - 38).

The Directors' report continued

Directors' responsibilities

The directors are responsible for preparing the Strategic report, the Directors' 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the 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.

In so far as the directors are, individually, aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Matters of Strategic Importance

Certain information is not shown within the Directors' Report as it is instead included within the Strategic Report in accordance with section 414C(11) of the Companies Act 2006.

Auditor

A resolution for the reappointment of RSM UK Audit LLP for the ensuing year will be proposed at the forthcoming Annual General Meeting.

Signed on behalf of the directors

Stephen Constable
Company Secretary

Approved by the directors on 19th July 2018



The Strategic report

Fair review of the business

The Chairman's Statement on pages 2 & 3 and Managing Director's report on page 4 include details of the business strategy and expected future developments. In addition, the key performance indicators (KPI's) used in the business are set out in the Five Year Summary on page 33.

The profit before tax of £23,000 compares to a loss before tax of £636,000 in 2017.

Turnover increased by 3.3% to £18.6 million and the resulting gross profit percentage was preserved. Payroll costs have fallen by 3.4% to £2.7 million, which along with the fall in Distribution costs and Administrative expenses show the benefit of the restructuring work carried out in 2017.

As a result of improved trading practices by larger customers transpiring during the year, the profit for the year includes a sum of £155,000 arising from a reduction in previously reported accruals, to reflect the prevailing relationship with those customers, as required to ensure compliance with UK accounting standards and regulations.

When reviewing our balance sheet against last year it can be seen that our fixed asset base has remained broadly consistent, as have our stocks. It should be noted that we did invest in a refurbishment of our Visitor Centre in early 2018, as we see opportunities to continue its development.

Net current liabilities have fallen by £881,000 to £313,000, partly explained by the fall in accruals from the one-off restructuring costs in 2017. This restructuring included changing the Company's banking facilities in May 2017, which increased headroom on our facilities by increasing the amount and extending the term of our bank loan.

Trade debtors are £487,000 higher than the prior year (as the early Easter meant additional sales pre-year end) and trade creditors have decreased by £262,000. These movements partly explain the change in our cash and cash equivalents from a decrease of £324,000 this year compared to the £358,000 increase in 2017. This is after debt repayments of £351,000 (2017: £435,000).

The movement in shareholders' funds is consistent with the retained profit for the period. No dividends have been paid or declared in the period.

Principal risks and uncertainties

Our industry is vulnerable to Government changes to legislation and taxation. The burden of beer duty, as detailed in the Five Year Summary, remains significant. Pubs continue to close while the number of microbreweries increase, operating with a competitive advantage due to excise relief for small brewers.

Financial risk management objectives and policies

The company's operations expose it to a variety of financial risks including the effects of changes in interest rates on debt, credit risk and liquidity risk.

The company's principal financial instruments comprise of bank loans, an overdraft, forward contracts to purchase hops, together with trade debtors and trade creditors that arise directly from its operations.

The Strategic report continued

The main risks arising from the company's financial instruments can be analysed as follows:

Credit risk

The company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated by the company's management based on prior experience and their assessment of the current economic environment. The company does have a large proportion of its business throughout the year, and outstanding debtor balances at the year end, with a concentrated number of supermarkets and multiple pub groups. The exposure to these customer groups is managed through regular management reviews and credit insurance.

Liquidity risk

The company's policy has been to ensure continuity of funding through working closely with providers of finance and by arranging funding for operations via loans and overdraft facilities.

Cash flow interest rate risk

The company has bank borrowings which are susceptible to exposure to changes in interest rates. The directors continue to monitor the overall funding structure to limit any potential adverse effects interest rate fluctuations may have on the financial performance of the company.

Stephen Constable

Company Secretary

Approved by the directors on 19th July 2018



Independent Auditor's Report to the Members of The Black Sheep Brewery plc

Opinion

We have audited the financial statements of The Black Sheep Brewery plc (the 'company') for the year ended 31 March 2018 which comprise the profit and loss account, balance sheet, statement of changes in equity, cash flow statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 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, 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 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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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, 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.

Independent Auditor's Report to the Members of The Black Sheep Brewery plc

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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 6, 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 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 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: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



THE BLACK SHEEP BREWERY PLC

Independent Auditor's Report to the Members of The Black Sheep Brewery plc

Use of our report

This report is made solely to the 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 company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Hugh Fairclough (Senior Statutory Auditor)
For and on behalf of RSM UK AUDIT LLP, Statutory Auditor
Chartered Accountants
Central Square
5th Floor
29 Wellington Street
Leeds
LS1 4DL

20 July 2018

Profit and Loss Account for the Year Ended 31 March 2018

		2018	2017
	Note	£	£
Turnover	3	18,597,513	17,997,868
Cost of sales		(13,658,170)	(13,242,959)
Gross profit		<u>4,939,343</u>	<u>4,754,909</u>
Distribution costs		(2,703,582)	(2,866,590)
Administrative expenses		(1,975,548)	(2,325,446)
Operating profit/(loss)		<u>260,213</u>	<u>(437,127)</u>
Interest payable and similar charges	4	(237,372)	(198,659)
Profit/(loss) on ordinary activities before tax	5	<u>22,841</u>	<u>(635,786)</u>
Tax on profit/(loss) on ordinary activities	8	(21,560)	73,976
Profit/(loss) for the financial year		<u>1,281</u>	<u>(561,810)</u>
Total comprehensive income/(loss) for the year		<u><u>1,281</u></u>	<u><u>(561,810)</u></u>

All of the activities of the company are classed as continuing.



THE BLACK SHEEP BREWERY PLC

Balance Sheet as at 31 March 2018

	Note	2018		2017	
		£	£	£	£
Fixed assets					
Tangible assets	9		7,894,216		8,259,339
Current assets					
Stocks	10	1,198,414		1,193,530	
Debtors	11	2,789,083		2,307,148	
Cash at bank and in hand		6,526		6,407	
		<u>3,994,023</u>		<u>3,507,085</u>	
Creditors: Amounts falling due within one year	12	<u>(4,306,616)</u>		<u>(4,700,629)</u>	
Net current liabilities			(312,593)		(1,193,544)
Total assets less current liabilities			<u>7,581,623</u>		<u>7,065,795</u>
Creditors: Amounts falling due after more than one year	13		(1,499,413)		(1,018,384)
Provisions for liabilities					
Deferred taxation	17		<u>(425,277)</u>		<u>(391,759)</u>
Net assets			<u>5,656,933</u>		<u>5,655,652</u>
Capital and reserves					
Called-up share capital	18		2,117,172		2,117,172
Share premium account	20		1,162,627		1,162,627
Share options reserve	20		89,958		89,958
Profit and loss account	20		2,287,176		2,285,895
Shareholders' funds			<u>5,656,933</u>		<u>5,655,652</u>

The financial statements on pages 12 to 32 were approved by the directors and authorised for issue on 19th July and are signed on their behalf by:

Robert Theakston
Director

Registered number: 02686985

Statement of changes in equity for the Year Ended 31 March 2018

	Called-up share capital £	Share premium account £	Share options reserve £	Profit and Loss Account £	Total £
Balance at 1 April 2016	2,117,172	1,162,627	146,934	2,790,729	6,217,462
Year Ended 31 March 2017					
Loss for the year	-	-	-	(561,810)	(561,810)
Share based payment charge	-	-	(56,976)	56,976	-
Balance as at 31 March 2017	2,117,172	1,162,627	89,958	2,285,895	5,655,652
Year Ended 31 March 2018					
Profit for the year	-	-	-	1,281	1,281
Share based payment charge	-	-	-	-	-
Balance as at 31 March 2018	2,117,172	1,162,627	89,958	2,287,176	5,656,933



THE BLACK SHEEP BREWERY PLC

Cash Flow Statement for the Year Ended 31 March 2018

	Note	2018		2017	
		£	£	£	£
Operating activities					
Cash (absorbed by)/generated from operations	21	(151,513)		1,075,668	
Income taxes received		-		11,958	
Net cash (used in)/from operating activities			(151,513)		1,087,626
Investing activities					
Payments to acquire tangible fixed assets		(393,642)		(96,212)	
Receipts from sale of fixed assets		4,548		433	
Net cash used in investing activities			(389,094)		(95,779)
Financing activities					
Proceeds of new bank loans		804,418		-	
Repayment of bank loans		(136,509)		(218,939)	
Capital element of hire purchase		(214,428)		(215,893)	
Interest paid		(209,818)		(171,714)	
Interest element of hire purchase		(27,554)		(26,945)	
Net cash generated from/(used in) financing activities			216,109		(633,491)
Net (decrease)/increase in cash and cash equivalents			<u>(324,498)</u>		<u>358,356</u>
Cash and cash equivalents at beginning of year			(1,509,861)		(1,868,217)
Cash and cash equivalents at end of year			<u>(1,834,359)</u>		<u>(1,509,861)</u>
Cash and cash equivalents represent:-					
Bank balances and short term deposits included in cash at bank and in hand			6,526		6,407
Overdrafts included in "creditors: amounts falling due within one year"			(1,840,885)		(1,516,268)
			<u>(1,834,359)</u>		<u>(1,509,861)</u>

Notes to the Financial Statements for the Year Ended 31 March 2018

1. Accounting policies

General Information

The Black Sheep Brewery plc (“the Company”) is a limited company registered, domiciled and incorporated in England.

The address of the Company’s registered office and principal place of business is Wellgarth, Masham, Ripon, North Yorkshire, HG4 4EN.

The company’s principal activity is disclosed in the Directors’ Report.

Basis of accounting

These financial statements have been prepared in accordance with FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (“FRS 102”) and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention.

Monetary amounts in these financial statements are rounded to the nearest whole £1, except where otherwise indicated.

Going concern basis of preparation

The Company recorded a profit for the year ended 31 March 2018 of £1,281 and had net current liabilities of £312,593. The Chairman’s Statement and Managing Director’s Report set out in more detail the result for the year to 31 March 2018 as well the principal risks facing the business and the current trading environment in the brewing sector, which continues to be challenging.

The directors have prepared forecasts for the forthcoming twelve months which show that the Company will meet its obligations as they fall due. The directors consider that there remains the risk that trading conditions in the sector will deteriorate further. To mitigate that risk the directors have a number of further actions which will be implemented over the period. These actions enable the Company to continue to trade and meet its debts as they fall due.

Having considered all of the factors listed above the directors consider that it is appropriate to prepare the financial statements on a going concern basis.

Functional and presentational currencies

The financial statements are presented in sterling which is also the functional currency of the Company.

Turnover

Turnover represents sales of goods exclusive of Value Added Tax but inclusive of beer duty. Turnover is recognised at the point of delivery of goods.



Notes to the Financial Statements for the Year Ended 31 March 2018

1. Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost net of depreciation and any impairment losses. Cost represents purchase price together with any incidental costs of acquisition.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset to its estimated residual value on a straight line basis over its expected useful life, as follows:-

Freehold Property	- 50 years
Plant & Machinery	- 3 to 15 years
Motor Vehicles	- 4 to 5 years

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

Impairment of fixed assets

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the Company estimates the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. Impairments of revalued assets are treated as a revaluation loss. All other impairment losses are recognised in profit or loss.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in profit or loss or, for revalued assets, as a revaluation gain. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

Stock

Stock is stated at the lower of cost and net realisable value.

Stocks at the end of the period are recorded at their latest purchase cost or production cost. On this basis raw materials are valued at purchase price and finished goods are valued at raw material cost plus a proportion of directly attributable labour and production overheads.

At each reporting date, the Company assesses whether stocks are impaired or if an impairment loss recognised in prior periods has reversed. Any excess of the carrying amount of stock over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss.

Reversals of impairment losses are also recognised in profit or loss.

Notes to the Financial Statements for the Year Ended 31 March 2018

1. Accounting policies (continued)

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Current and deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Leases

The Company as Lessee – Finance Leases

An asset and corresponding liability are recognised for leasing agreements that transfer to the Company substantially all of the risks and rewards incidental to ownership (“finance leases”). The amount capitalised is the fair value of the leased asset or, if lower, the present value of the minimum lease payments payable during the lease term, both determined at inception of the lease. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The Company as Lessee – Operating Leases

All other leases are operating leases and the annual rentals are charged to profit or loss on a straight line basis over the lease term.



Notes to the Financial Statements for the Year Ended 31 March 2018

1. Accounting policies (continued)

Employee Benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock.

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits

Defined contribution plans

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Financial Instruments

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument, and are offset only when the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial Assets

Trade debtors

Trade debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a trade debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

Notes to the Financial Statements for the Year Ended 31 March 2018

1. Accounting policies (continued)

Financial liabilities and equity

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

The company has forward contracts to fix the price for the purchase of hops, however these are not recorded as physical delivery of the goods is taken and this is a commitment for the purpose of trade and as such are excluded from the scope of section 12 of FRS 102.

Trade and other creditors (including accruals)

Trade and other creditors (including accruals) payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

Bank overdrafts

Bank overdrafts are presented within creditors: amounts falling due within one year.

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Share-based payments

The Company grants share options ("equity-settled share-based payments") to certain employees.

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using a systematic and objective model. Fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

Modifications and cancellations

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions (the "original fair value") and under the modified terms and conditions (the "modified fair value") are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.



Notes to the Financial Statements for the Year Ended 31 March 2018

2. Critical accounting estimates and areas of judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 9 for the carrying amount of the property plant and equipment, and note 1 for the useful economic lives for each class of assets.

Critical areas of judgement

Lease classification

In categorising leases as finance leases or operating leases, management makes judgements as to whether significant risks and rewards of ownership have transferred to the Company as lessee, or the lessee, where the Company is a lessor.

3. Turnover

Turnover is generated by the principal activity of the company as disclosed in the Directors' Report on page 5.

4. Interest payable and similar charges

	2018 £	2017 £
Bank interest and charges	209,818	171,714
Hire purchase interest	27,554	26,945
	<u>237,372</u>	<u>198,659</u>

Notes to the Financial Statements for the Year Ended 31 March 2018

5. Profit/(loss) on ordinary activities before tax

Profit/(loss) on ordinary activities before tax is stated after charging/(crediting):

	2018	2017
	£	£
Depreciation of owned fixed assets	651,847	603,530
Depreciation of assets held under hire purchase agreements	102,083	172,231
Loss/(profit) on disposal of fixed assets	287	(433)
Auditor's remuneration		
- as auditor	19,000	19,000
- non-audit services		
- Taxation	2,500	3,340
- Consulting	27,340	50,065
- Payroll	4,218	4,290
- Other	1,000	9,187
Stock		
- amounts expensed to cost of sales	5,622,647	5,488,227
Operating lease rentals	142,757	188,864
One-off restructuring costs	-	280,389
	<u> </u>	<u> </u>

The one-off restructuring costs of £280,389 in 2017 were associated with the reshaping of the business and were the result of people change and re-finance.

The operating profit for the year includes a sum of £155,000 arising from a reduction in previously reported accruals, to reflect the prevailing relationship with those customers, as required to ensure compliance with UK accounting standards and regulations.

6. Particulars of employees

The average number of staff employed by the company during the financial year amounted to:

	2018	2017
	No	No
Production	18	19
Sales and distribution	33	33
Administration	12	12
Visitor centre	39	36
	<u> </u>	<u> </u>
	102	100
	<u> </u>	<u> </u>

The aggregate payroll costs of the above were:

	2018	2017
	£	£
Wages and salaries	2,335,864	2,406,789
Social security costs	224,669	236,394
Other pension costs	175,793	190,246
	<u> </u>	<u> </u>
	2,736,326	2,833,429
	<u> </u>	<u> </u>



THE BLACK SHEEP BREWERY PLC

Notes to the Financial Statements for the Year Ended 31 March 2018

7. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2018	2017
	£	£
Remuneration receivable	401,746	458,386
Value of company pension contributions to defined contribution pension schemes	41,394	57,188
Compensation for loss of office	-	37,760
	<u>443,140</u>	<u>553,334</u>

Remuneration of highest paid director:

	2018	2017
	£	£
Total remuneration	96,149	125,982
Value of company pension contributions to defined contribution pension schemes	13,950	11,550
	<u>110,099</u>	<u>137,532</u>

It should be noted that the highest paid director in 2017 was Alan Dunn courtesy of his compensation for loss of office. The director did not exercise any share options during the period.

The number of directors on whose behalf the company made pension contributions was as follows:

	2018	2017
	No	No
Defined contribution pension schemes	<u>4</u>	<u>5</u>

Notes to the Financial Statements for the Year Ended 31 March 2018

8. Taxation on ordinary activities

(a) Analysis of charge in the year

	2018 £	2017 £
In respect of the year:		
UK Corporation tax charge at 19% (2017 - 20%)	-	-
Adjustments in respect of prior periods	(11,958)	-
Total current tax	(11,958)	-
Deferred tax:		
Origination and reversal of timing differences	35,068	(48,103)
Effect of changes in the rate of tax	-	(25,873)
Adjustments in respect of prior periods	(1,550)	-
Total deferred tax (note 17)	33,518	(73,976)
Tax on profit/(loss) on ordinary activities	<u>21,560</u>	<u>(73,976)</u>

(b) Factors affecting current tax charge

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 19% (2017 - 20%).

	2018 £	2017 £
Profit/(Loss) on ordinary activities before taxation	<u>22,841</u>	<u>(635,786)</u>
Profit/(Loss) on ordinary activities by rate of tax	4,340	(127,157)
Effects of:		
Items not deductible for tax purposes	5,066	7,613
Adjustments to tax charge in previous periods	(1,550)	-
Amounts relating to change in tax rates	(4,506)	(14,381)
Fixed asset timing differences	30,168	31,627
Tax losses not recognised as a deferred tax asset	-	28,322
Adjustments in respect of prior periods	(11,958)	-
Total tax charge/(credit) (note 8(a))	<u>21,560</u>	<u>(73,976)</u>



THE BLACK SHEEP BREWERY PLC

Notes to the Financial Statements for the Year Ended 31 March 2018

9. Tangible fixed assets

	Freehold Property £	Plant & Machinery £	Motor Vehicles £	Total £
Cost				
At 1 April 2017	8,232,893	7,696,425	556,540	16,485,858
Additions	-	372,797	20,845	393,642
Disposals	-	-	(45,665)	(45,665)
At 31 March 2018	<u>8,232,893</u>	<u>8,069,222</u>	<u>531,720</u>	<u>16,833,835</u>
Depreciation				
At 1 April 2017	1,819,075	5,940,422	467,022	8,226,519
Charge for the year	158,137	527,656	68,137	753,930
Disposals	-	-	(40,830)	(40,830)
At 31 March 2018	<u>1,977,212</u>	<u>6,468,078</u>	<u>494,329</u>	<u>8,939,619</u>
Net book value				
At 31 March 2018	<u>6,255,681</u>	<u>1,601,144</u>	<u>37,391</u>	<u>7,894,216</u>
At 31 March 2017	<u>6,413,818</u>	<u>1,756,003</u>	<u>89,518</u>	<u>8,259,339</u>

Hire purchase agreements

Included within the net book value of £7,894,216 is £330,459 (2017 - £458,192) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £102,083 (2017 - £172,231).

10. Stocks

	2018 £	2017 £
Raw materials and consumables	632,414	498,588
Finished goods and goods for resale	566,000	694,942
	<u>1,198,414</u>	<u>1,193,530</u>

11. Debtors

	2018 £	2017 £
Trade debtors	2,704,863	2,217,777
Other debtors	6,128	9,740
Prepayments	78,092	79,631
	<u>2,789,083</u>	<u>2,307,148</u>

Notes to the Financial Statements for the Year Ended 31 March 2018

12. Creditors: Amounts falling due within one year

	2018 £	2017 £
Bank overdraft (note 15)	1,840,885	1,516,268
Bank loan (note 15)	146,652	103,800
Trade creditors	1,323,143	1,585,531
Corporation tax	-	11,958
Other taxation and social security	567,629	629,728
Hire purchase agreements (note 15)	105,828	205,701
Other creditors	62,853	44,339
Accruals	259,626	603,304
	<u>4,306,616</u>	<u>4,700,629</u>

13. Creditors: Amounts falling due after more than one year

	2018 £	2017 £
Bank loans (note 15)	1,451,138	826,081
Hire purchase agreements (note 15)	48,275	162,830
	<u>1,499,413</u>	<u>988,911</u>
Other creditors	-	29,473
	<u>1,499,413</u>	<u>1,018,384</u>

14. Financial Instruments

The carrying amount of the Company's financial instruments at 31 March was:

Financial Assets	2018 £	2017 £
Debt instruments measured at amortised cost (<i>trade and other debtors</i>)	2,710,991	2,227,517
Total	<u>2,710,991</u>	<u>2,227,517</u>
Financial Liabilities	2018 £	2017 £
Measured at amortised cost (<i>trade creditors, accruals, bank overdrafts and loans</i>)	5,021,444	4,634,984
Total	<u>5,021,444</u>	<u>4,634,984</u>



THE BLACK SHEEP BREWERY PLC

Notes to the Financial Statements for the Year Ended 31 March 2018

15. Borrowings

Amounts repayable:

	Bank loans and overdraft £	Hire purchase agreements £	Total £
As at 31 March 2018			
Amounts payable within 1 year	1,987,537	105,828	2,093,365
Amounts payable between 1 and 2 years	146,652	48,275	194,927
Amounts payable between 2 and 5 years	378,890	-	378,890
Amounts payable after more than 5 years	925,596	-	925,596
	<u>3,438,675</u>	<u>154,103</u>	<u>3,592,778</u>
	Bank loans and overdraft £	Hire purchase agreements £	Total £
As at 31 March 2017			
Amounts payable within 1 year	1,620,068	205,701	1,825,769
Amounts payable between 1 and 2 years	103,800	133,210	237,010
Amounts payable between 2 and 5 years	311,400	29,620	341,020
Amounts payable after more than 5 years	410,881	-	410,881
	<u>2,446,149</u>	<u>368,531</u>	<u>2,814,680</u>

Hire purchase agreements are at various rates of interest. Repayments under the terms of the existing agreements will clear the liabilities within two years. Hire purchase agreements are secured on the assets to which they relate.

The bank facilities, including the overdraft facility, are secured by a mortgage over the property of the Company, a debenture including fixed and floating charges over all present freehold property and a fixed and floating charge over the Company's assets.

The bank loans were repayable in instalments over a period of fourteen years from the balance sheet date and incurred interest variable charges at a market rate of interest secured at the inception of the loan.

16. Pensions

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £175,793 (2017 - £190,246). Contributions totalling £17,953 (2017 - £18,727) were payable to the scheme at the end of the period and are included in creditors.

Notes to the Financial Statements for the Year Ended 31 March 2018

17. Deferred taxation

Provision for deferred tax has been made as follows:

	2018	2017
	£	£
Deferred tax liabilities	434,730	477,085
Deferred tax assets	(9,453)	(85,326)
Net position at 31 March	<u>425,277</u>	<u>391,759</u>

The deferred tax asset of £9,453 (2017 - £85,326) relates to short term timing differences.

The deferred tax liability of £434,730 (2017 - £477,085) relates to accelerated capital allowances.

The movement in the deferred taxation provision during the year was:

	2018	2017
	£	£
At 31 March 2017	391,759	465,735
Profit and loss account movement during the year	33,518	(73,976)
At 31 March 2018	<u>425,277</u>	<u>391,759</u>

Deferred tax is provided at 17% (2017 - 17%).



THE BLACK SHEEP BREWERY PLC

Notes to the Financial Statements for the Year Ended 31 March 2018

18. Share capital

Authorised share capital:

	2018 £	2017 £
Ordinary shares of £1 each	<u>2,750,000</u>	<u>2,750,000</u>

Allotted, called up and fully paid:

	2018		2017	
	No	£	No	£
Ordinary shares of £1 each	<u>2,117,172</u>	<u>2,117,172</u>	<u>2,117,172</u>	<u>2,117,172</u>

Ordinary share rights

The Company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the Company.

During the year, there were no £1 Ordinary shares issued on the exercise of share options.

The following options were outstanding under HMRC approved option schemes at 31 March 2018:

	Ordinary shares	Price £	Date of exercise
SAYE Scheme 20	14,648	2.53	January 2019
EMI Scheme 3	12,000	3.98	October 2012 – October 2019
EMI Scheme 4	12,000	3.68	June 2013 – June 2020
EMI Scheme 5	12,000	4.30	July 2014 – July 2021

Shareholders breakdown

Shares held at 3 April 2018	Number of Shareholders	%	% holding in the company
1 – 1,000	885	72	17
1,001 – 5,000	288	24	34
5,001 and above	53	4	49
	<u>1,226</u>	<u>100</u>	<u>100</u>

Notes to the Financial Statements for the Year Ended 31 March 2018

18. Share capital (continued)

Directors' share options

	At 01/04/17	Forfeited/ expired	At 31/03/18	Exercise price	Date from which exercisable	Expiry date
R J Theakston						
EMI Scheme 3	4,000	-	4,000	£3.98	10/12	10/19
EMI Scheme 4	4,000	-	4,000	£3.68	06/13	06/20
EMI Scheme 5	4,000	-	4,000	£4.30	07/14	07/21
S J Constable						
SAYE Scheme 19	4,153	(4,153)	-	£2.60		11/17
EMI Scheme 3	4,000	-	4,000	£3.98	10/12	10/19
EMI Scheme 4	4,000	-	4,000	£3.68	06/13	06/20
EMI Scheme 5	4,000	-	4,000	£4.30	07/14	07/21
J F Theakston						
EMI Scheme 3	4,000	-	4,000	£3.98	10/12	10/19
EMI Scheme 4	4,000	-	4,000	£3.68	06/13	06/20
EMI Scheme 5	4,000	-	4,000	£4.30	07/14	07/21

19. Earnings/(loss) per share

The earnings per share of 0.1p (2017: loss of 26.5p) has been calculated on a profit of £1,281 (2017 loss: £561,810) and on a weighted average number of shares of 2,117,172 (2017: 2,117,172). No material difference exists between dilutive EPS and basic EPS.

20. Reserves

Reserves of the Company represent the following:

Share premium

Consideration received for shares issued above their nominal value net of transaction costs.

Share options reserve

The cumulative share-based payment expense.

Profit and loss account

Cumulative profit and loss net of distributions to owners.



THE BLACK SHEEP BREWERY PLC

Notes to the Financial Statements for the Year Ended 31 March 2018

21. Notes to the cash flow statement

Reconciliation of profit/(loss) after tax to net cash (absorbed by)/generated from operations

	2018 £	2017 £
Profit/(loss) after taxation	1,281	(561,810)
Depreciation of tangible fixed assets	753,930	775,761
Loss/(profit) on disposal of fixed assets	287	(433)
Interest payable	237,372	198,659
Taxation	21,560	(73,976)
Operating cash flows before movements in working capital	1,014,430	338,201
Increase in stocks	(4,884)	(82,897)
(Increase)/decrease in debtors	(481,935)	458,861
(Decrease)/increase in creditors	(679,124)	361,503
Cash (absorbed by)/generated from operations	<u>(151,513)</u>	<u>1,075,668</u>

22. Capital commitments and other contractual obligations

Capital commitments

There were no capital commitments at 31 March 2018 (2017: £150,000).

Financial commitments

As in previous years, the company has entered into agreements to purchase hops in the future over the next 4 years. The commitment at 31 March 2018 amounted to £357,735 (2017: £541,070) with an amount of £233,235 (2017: £354,445) due within the next 12 months.

23. Commitments under operating leases

The Company as a lessee:

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

	2018 £	2017 £
Within one year	113,381	73,570
Between one and five years	65,687	33,840
	<u>179,068</u>	<u>107,410</u>

Notes to the Financial Statements for the Year Ended 31 March 2018

24. Share-based payments

Equity-settled share-based payments

The company operates SAYE and EMI schemes.

The SAYE share option schemes are available to all employees of the company with one year service. Options are exercisable at a price determined on the grant date and the vesting period is three years. Options are forfeited if the employee leaves the company before the options vest.

Details of the share options outstanding during the year are as follows:

	2018		2017	
	Shares under option	Weighted average exercise price	Shares under option	Weighted average exercise price
Outstanding at beginning of year	75,041	£3.25	102,698	£3.23
Granted during the year	-	-	-	-
Forfeited during the year	(6,471)	£2.53	(14,995)	£3.71
Exercised during the year	-	-	-	-
Expired during the year	(17,922)	£2.60	(12,662)	£2.60
Outstanding at the end of the year	<u>50,648</u>	<u>£3.58</u>	<u>75,041</u>	£3.25
Exercisable at the end of the year	<u>36,000</u>	<u>£3.99</u>	<u>36,000</u>	£3.99

The weighted average fair value of options granted in the year was determined using a systematic and objective model.

The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

Non-vesting conditions and market conditions are taken into account when estimating the fair value of the option at grant date. Service conditions and non-market performance conditions are taken into account by adjusting the number of options expected to vest at each reporting date.

25. Remuneration of key management personnel

The total remuneration of the directors, who are considered to be the key management personnel of the Company, was £482,416 (2017 – £601,716).



THE BLACK SHEEP BREWERY PLC

Five Year Financial Summary

	2014	2015	2016	2017	2018
	£'000	£'000	£'000	£'000	£'000
Profit and loss accounts					
Turnover	18,401	19,545	18,258	17,998	18,597
Beer duty payable	7,508	7,732	7,013	6,960	7,225
Profit before adjustments					
Depreciation	764	940	360	618	1,014
Restructuring costs	(737)	(781)	(793)	(776)	(754)
Share-based payments charge	-	-	-	(280)	-
Interest and charges	(8)	(4)	(5)	-	-
Profit/(loss) on ordinary activities before taxation	(201)	(189)	(169)	(198)	(237)
Taxation on profit on ordinary activities	(182)	(34)	(607)	(636)	23
Profit/(loss) attributable to shareholders	98	8	147	74	(22)
	(84)	(26)	(460)	(562)	1
Balance sheets					
Fixed assets	9,566	9,146	8,939	8,259	7,894
Net current liabilities	(553)	(458)	(950)	(1,193)	(313)
Creditors greater than one year	(1,682)	(1,415)	(1,306)	(1,018)	(1,499)
Provision - deferred taxation	(618)	(600)	(466)	(392)	(425)
Shareholders' funds	6,713	6,673	6,217	5,656	5,657
Earnings per share (pence)	(4.0)	(1.2)	(21.8)	(26.5)	0.1
Year end ratios					
Profit before adjustments to turnover (%)	4.2	4.8	2.0	3.4	5.5
Total net debt	3,898	4,038	3,603	2,808	3,586
Gearing - debt/shareholders' funds (%)	58	61	58	50	63
Share price at 31 March	£3.00	£3.00	£3.00	£1.50	£2.00

Share dealing and Registrar information

The Ordinary shares in The Black Sheep Brewery plc are not quoted on any recognised investment exchange, such as the Official List of the London Stock Exchange or the Alternative Investment Market.

However, if you wish to trade in the company's shares, please note that we have recently moved our trading platform to Asset Match. Asset Match will run regular on line auctions to allow willing buyers and sellers of shares to trade. Black Sheep has an information page on the Asset Match website, although if you have any additional questions relating to Asset Match and the process, please contact them via blacksheep@assetmatch.com or on tel: 0207 248 2788.

If you are an existing shareholder and want to ask, or need any information, about your shareholding, please contact our registrar Link Asset Services, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, tel: 0871 664 0300 (calls cost 12p per minute, lines are open 9.00am-5.30pm Monday-Friday). Alternatively, you can visit www.linkshareportal.com where you can amongst other things view details of your shareholding and update your details.

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Notice of meeting

NOTICE IS HEREBY GIVEN that the annual general meeting of the Company will be held at the Black Sheep Distribution Centre, Fearby Road, Masham, Ripon, HG4 4ES on Thursday 27 September 2018 at 2.30pm for the following purposes:

Ordinary Business

1. To receive the Company's accounts and reports for the year ended 31 March 2018.
2. That Stephen Constable be reappointed as a director of the Company.
3. That Paul Nolan be reappointed as a director of the Company.
4. That Andrew Slee be reappointed as a director of the Company.
5. That Jonathan Theakston be reappointed as a director of the Company.
6. That Robert Theakston be reappointed as a director of the Company.
7. To re-appoint RSM UK Audit LLP as auditors and to authorise the directors of the Company to determine their remuneration.

Special Business

As special business, to consider and if thought fit pass the following resolutions of which Resolutions 8, 9, 11 and 12 will be proposed as ordinary resolutions and Resolution 10 as a special resolution:

8. That the authorised share capital of the Company be increased from 2,750,000 Ordinary Shares of £1 each, to 3,000,000 Ordinary Shares of £1, by the creation of 250,000 Ordinary Shares of £1 each, such new Shares having the rights and being subject to the obligations as set out in the Articles of Association of the Company.
9. That the directors are generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into such shares ("Allotment Rights"), but so that;
 - (a) the maximum amount of shares that may be allotted or made the subject of Allotment Rights under this authority are shares with an aggregate nominal value of £705,000 (being approximately one third of the issued share capital of the Company);
 - (b) this authority shall expire on 30 September 2019 or, if earlier, on the conclusion of the Company's next annual general meeting;
 - (c) the Company may make any offer or agreement before such expiry which would or might require shares to be allotted or Allotment Rights to be granted after such expiry; and
 - (d) all authorities vested in the directors on the date of the Notice of this meeting to allot shares or to grant Allotment Rights that remain unexercised at the commencement of this meeting are revoked.

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Notice of meeting continued

10. That the directors be empowered to allot equity securities (as defined in the Companies Act 2006) for cash pursuant to the authority conferred by Resolution 8, as set out in the Notice of this meeting, and to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to such allotment or sale, such power to be limited to:
- (a) the allotment of equity securities and sale of treasury shares for cash in connection with an offer of, or an invitation to apply for, equity securities (whether by way of rights issue, open offer or otherwise) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings and to holders of other equity securities, as required by the rights of those securities or, as the board otherwise considers necessary, subject to any limits, restrictions or arrangements which the board considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and
 - (b) the allotment of equity securities (other than pursuant to paragraph (a) above) up to an aggregate nominal amount of £315,000 (being approximately fifteen per cent of the issued share capital of the Company)
- such power to expire when the authority conferred on the directors by Resolution 8 in the Notice of this Meeting expires save that, before the expiry of this power, the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the power ends and the board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the power had not ended.
11. That the Company is hereby granted general and unconditional authority for the purpose of section 701 of the Companies Act 2006 Act to make off market purchases (within the meaning of section 693(2) of the Companies Act 2006) of Ordinary Shares of £1.00 each in the Company, provided that:
- (a) the maximum aggregate number of Ordinary Shares authorised to be purchased is 211,717,
 - (b) the minimum price (excluding expenses) per Ordinary Share is not less than GBP 1.00,
 - (c) the maximum price (excluding expenses) per Ordinary Share is;
 - i. the higher of the price quoted for the last independent trade of and the highest current independent bid for any number of Ordinary Shares on Asset Match's market, and

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Notice of meeting continued

- (d) this authority, unless previously renewed, shall expire on the earlier of 30 September 2019 or at the conclusion of the next Annual General Meeting of the Company except in relation to the purchase of any Ordinary Shares the contract for which was concluded before the date of expiry of the authority and which would or might be completed wholly or partly after that date.
 - (e) the copy of the share buyback contract setting out the main terms of the buyback is available for inspection 15 days prior to the date of the Annual General Meeting and will be made available for members to inspect at the Annual General Meeting
12. That the terms of a share buyback contract proposed by the Company of up to 211,717 ordinary shares of £1.00 each in the capital of the Company ("**Share BuyBack Contract**") upon the terms set out in the proposed Share BuyBack Contract are approved.

By Order of the Board

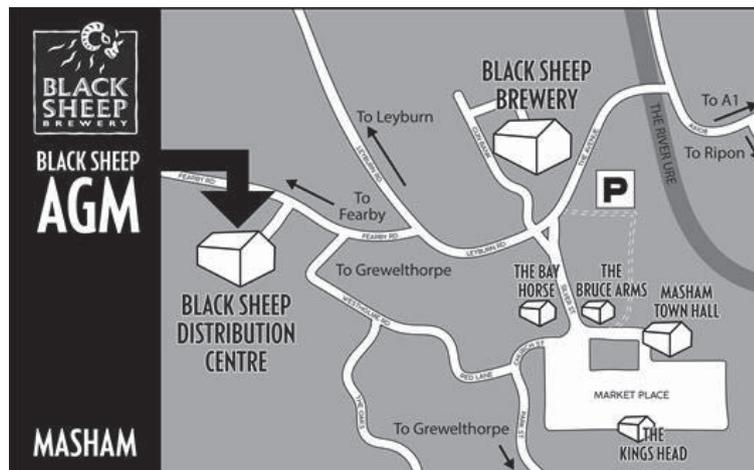
Stephen Constable
Company Secretary
19th July 2018

Note: A member entitled to attend and vote at the above Meeting is entitled to appoint one or more proxies to attend and vote on his/her behalf. A proxy need not also be a Member.

Annual General Meeting Thursday 27th September 2018 Domestic arrangements

PLEASE NOTE THAT OUR AGM WILL BE HELD IN A DIFFERENT LOCATION

Location: This year our AGM will be held in a different location. We shall be holding the meeting at our distribution centre on Fearby Road in Masham – please see the map below. After the meeting, the customary hospitality will be extended to everybody in the Brewery Visitor Centre. The meeting at our Distribution centre is only a five minute walk from the Brewery. A shuttle bus to the Visitor Centre will be available after the meeting.



Parking: As in previous years, parking will be available in Masham Market Square and on the riverside grass area below the Brewery. There will also be limited parking available at our Distribution centre. Please note the Visitor Centre car park is being reserved for disabled parking.

Lunch: For those arriving early, the Visitor Centre Bistro will be open, where lunchtime drinks, meals or snacks can be purchased.

Registration: Registration for the meeting will be at our Distribution centre only from 12.30pm. On registration, shareholders will be issued with a “pass”, which will make freely available all beer, refreshments and light snacks for the afternoon after the Meeting. As the Visitor Centre will remain open to the general public during the afternoon, please be sure to show the pass to staff when ordering, to avoid being charged.

The Meeting: Because of space limitations at the Distribution centre, we are again requesting that **only shareholders** themselves attend the actual Annual General Meeting.

Tours: After the meeting there will be periodic tours round the Brewery.

Shop: The Shop will be open during the day. We are again offering shareholders a discount on beer purchases on the day - please remember to show that pass at the time. Transport will be available to help with bulk purchases of beer.

We look forward to welcoming you on the day.

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