

REPORT & ACCOUNTS 2019



Company Registration No. 02686985 (England and Wales)

THE BLACK SHEEP BREWERY PLC
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2019

THE BLACK SHEEP BREWERY PLC

COMPANY INFORMATION

Directors	Andrew Slee (Chairman) Robert Theakston (Managing Director) Jo Theakston (Sales & Marketing Director) Charlene Lyons (Non-Executive) Paul Nolan (Non-Executive) Simon Adams (Finance Director)
Secretary	Simon Adams
Company number	02686985
Registered office	Wellgarth Masham Ripon North Yorkshire HG4 4EN
Auditor	RSM UK Audit LLP Chartered Accountants Central Square 5th Floor 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

THE BLACK SHEEP BREWERY PLC

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THE BLACK SHEEP BREWERY PLC

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 MARCH 2019

Last year, we outlined the need for change, and our plans to deliver sustainable long term profitability at Black Sheep.

This financial year has seen as much change than at any time in the Group's history, delivered at the same time as we recorded a second successive year of pre-tax profits after six previous years of losses.

A year of progress with many challenges lying ahead.

A reminder - why the need to diversify away from just brewing beer?

If further evidence were needed of our strategy of diversification into packaging and pubs, Fullers Brewery's recent decision to sell its brewing division to Asahi, the Japanese Brewer further proves the challenge in the UK brewing sector.

Like Black Sheep, Fullers identified that making sustainable profits from brewing is incredibly tough.

A couple of points to highlight the challenges

- In Britain we pay beer duty at a suffocating level, the second highest rate in Europe. Black Sheep's £7.1 million beer duty bill represents nearly 40% of turnover.
- Further, on a 4.5% ABV Masham brewed ale Black Sheep pays 48p per pint in duty, compared to the 23p per pint Heineken pays on their similar strength Strongbow Cider.

This, the increasing use of scale by the Global Brewers and the emerging M&A activity in the sector (evidence Enterprise Inns recent sale to Stonegate Pub Company) means we need to change our business model quickly to deliver value growth to shareholders and become sustainable.

Whilst Black Sheep have been front and centre of the campaign for duty reform, in these uncertain political times we cannot rely on Westminster for the answers. So what have we done to improve ourselves?

Change in structure

In December we made the first acquisition in the company's history with the purchase out of administration of York Brewery. York Brewery was at the top of our target list when we set out to develop a retail estate so I was delighted that we were able to move very quickly to secure the business and three of their retail sites.

To date, along with the recently acquired Kith & Kin in Leeds and the Masham Visitor Centre, transferred post year-end, these sites now form BSB Retail Limited, a newly established division separate to the brewery, focussed on the development of a Yorkshire centric retail estate.

The York Brewery acquisition made a positive contribution to Black Sheep delivering a profit this year.

Change in the core business

The need to package our own products is never more crucially highlighted than by the additional £0.4 million we spent last year on third party packaging.

Progress on the packaging project was slowed by the unscheduled acquisition and integration of York Brewery and more crucially waiting for Local Enterprise Partnership grant money, which is now in place.

We have invested £209,000 on bespoke capital equipment so the project is underway.

I am also delighted that Black Sheep beers continue to win multiple awards for their quality and consistency, 15% of our production in the year remained in beers that hadn't been brewed just two years ago. Rob will talk in more detail about the plaudits we have received in the last 12 months.

THE BLACK SHEEP BREWERY PLC

CHAIRMAN'S STATEMENT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

Change in people

During the year Black Sheep Finance Director, Steve Constable decided to move to pastures new. Steve left with our thanks for his contribution and commitment to Black Sheep over many years. I wish him all the very best for the future.

Simon Adams was employed as Group Finance Director for The Black Sheep Brewery plc with effect from 3 June 2019. Having qualified as a chartered accountant with Price Waterhouse Coopers, Simon worked for the listed global food and ingredients manufacturer Kerry Group plc, before moving on to senior roles at several AIM listed and private equity backed businesses. He brings a wealth of corporate experience to Black Sheep and will be a valuable addition to the executive team.

The Board has identified the new skills and resources we need to deliver the strategy at executive level. Charlene Lyons is getting more involved in the day to day running of the commercial side of Black Sheep to ensure there is capacity and experience to deliver the growth plans.

Outlook

If a week is a long time in politics, a year is an awfully long time at Black Sheep Brewery.

Via the shareholder section of www.blacksheep.co.uk and shareholder emails we have made a conscious effort this year to update you more regularly with developments at the Brewery.

After 6 years of loss making, we are pleased to record a second year of pre-tax profitability. But nobody at Black Sheep is under any illusion of the challenge ahead.

The Board is aware that the company has been inhibited by a lack of available capital for a long time, whilst at the same time being frustrated by a wide range of opportunities to grow shareholder value that are inhibited by this lack of funds.

The purchase and full integration of York Brewery into Black Sheep took ten weeks so the capabilities exist round the Board table to inject pace and decisiveness when an opportunity presents itself.



Andrew Slee
Chairman

8 August 2019

THE BLACK SHEEP BREWERY PLC

MANAGING DIRECTOR'S REPORT

FOR THE YEAR ENDED 31 MARCH 2019

The only one constant in the life of Black Sheep at the moment is the pace of change. We have, as we shared with you, focused on changing the business from a brewery only operation into one that has retail and other brand extensions attached to it. The requirement for us to do this is all too apparent as we look at the fast changing landscape in which we play, making Black Sheep even more relevant in this market is our number one goal.

This year that we report on is no exception; we have purchased York Brewery out of administration, giving us great heritage and some great beers, particularly Guzzler and Terrier, allowing us to increase the number of products we supply on the bar. We started the year as a brewery only, targeting change and development, with a plan to grow our presence in our Yorkshire heartland. We have invested in an increased sales force to deliver this, backed up with high profile presence at the Tour de Yorkshire, Yorkshire Cricket and the Great Yorkshire Show and we have seen our volumes grow through this channel by 10.1% year on year. We have also begun the Black Sheep Retail journey which is the biggest of steps for us. We now have 5 sites, 2 in York, 2 in Leeds and the visitor centre which has been moved into Black Sheep Retail after the year end. These outlets are exciting additions and ones in the long term, that will push the Black Sheep message out there even more.

As a result of the acquisition of York Brewery, our focus and effort has been on trying to integrate and develop York and our new retail sites including the purchase of Kith and Kin. Progress on the packaging project was slowed by both the unscheduled York Brewery acquisition and waiting for the processing of a sizeable Local Enterprise Partnership grant. This grant relates to the new jobs the project will create in Masham and is now in place. With over £200,000 of bespoke capital equipment ordered, the project is underway. The use of 3rd party contract packagers remains one of our biggest costs, and has been increasing year on year as customers demand different pack types. This project is vital to the long term flexibility that we need in our production to be able to respond to the fast changing customer requirements.

In financial performance terms, we have seen turnover grow this year by 4%, and gross profit growing by 8% on the previous year giving us a profit before tax of £13,959. This represents two years of profit before tax despite significant cost headwinds and the cask market remaining a turbulent one. We still have plenty to do but testament that we are building the right platform for growth.

It has been another great year for awards when it comes to our beers and brands. We have had success with Milk Stout, 54 Degrees North, Russian Imperial and Venus and Mars to name but a few. At the SIBA business awards we were the overall winner of the "Marketing Implementation Award" for our execution of the Tour de Yorkshire campaign. This is a credit to all the teams as we push positively forward with all things Black Sheep.

I will be able to share more with you at the AGM and hope that you can make the slightly earlier date due to the fact that we have the UCI Cycling World Championships here in Yorkshire over the usual date which would have made logistics in Masham a challenge.

Robert Theakston
Managing Director

8 August 2019

THE BLACK SHEEP BREWERY PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2019

The directors present the strategic report for the year ended 31 March 2019.

Fair review of the business

The Chairman's Statement on pages 1 & 2 and the Managing Director's report on page 3 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 39.

The profit before tax of £14,000 compares to a profit before tax of £23,000 in 2018.

Group turnover increased by 4.0% (£0.8m) to £19.4 million and the resulting gross profit increased by 8% to £5.3m. Of the £0.8m increase in turnover, £0.3m reflects the contribution from the newly established retail side of the business with the remaining £0.5m growth coming from organic growth in the brewery business. Payroll costs increased to £3.0m from £2.7m in 2018 and this reflects an increase in the average number of employees from 102 in 2018 to 144 in 2019. This increase in employee numbers was driven by the addition of the retail business. Total distribution costs and administrative expenses have increased by £0.4m to £5.1m and predominately reflect the additional York Brewery and retail costs as well as increases across a number of other areas. After a tax charge of £37,000 the group reported a loss after tax of £23,000.

During the year the group purchased elements of the trade and assets of The York Brewery Co. Ltd for a total consideration of £0.7m funded from a combination of debt and existing cash balances. This business acquisition is reflected in an increase in the fixed asset base.

Net current liabilities have increased £0.2m to £0.5m which is primarily driven by increased trade creditors resulting from a combination of factors including the addition of the retail business, increased trading and timings. The net debt position, which includes bank balances and overdrafts, bank loans and finance lease obligations, has increased by £0.1m to £3.7m resulting from a combination of increased borrowings to fund the acquisition of York Brewery offset in part by repayment of existing debt.

In the year the operation generated a group cash inflow of £984,000 (2018; outflow of £152,000) and funded a significant level of reinvestment into the business.

The movement in shareholders' funds is consistent with the retained loss after taxation 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 group'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 group'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 main risks arising from the group's financial instruments can be analysed as follows:

Credit risk

The group's credit risk is primarily attributable to its trade debtors. The amounts presented in the Statement of Financial Position are net of allowances for doubtful debts, estimated by the group's management based on prior experience and their assessment of the current economic environment. The group 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.

THE BLACK SHEEP BREWERY PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

Liquidity risk

The group'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 group 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 group.

By order of the board

Simon Adams

Secretary

8 August 2019

THE BLACK SHEEP BREWERY PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2019

The directors present their annual report and financial statements for the year ended 31 March 2019.

Principal activities

The principal activity of the group during the year was brewing for sale and the operation of pubs. On 9 April 2018 BSB Retail Limited was incorporated as a subsidiary of the company. On 21 December 2018, BSB Retail Limited acquired the trade and assets of The York Brewery Co. Ltd from administration and commenced trading.

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

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Andrew Slee (Chairman)	
Robert Theakston (Managing Director)	
Stephen Constable (Finance Director)	(Resigned 17 May 2019)
Jo Theakston (Sales & Marketing Director)	
Charlene Lyons (Non-Executive)	(Appointed 1 October 2018)
Paul Nolan (Non-Executive)	
Paul Theakston (Non-Executive)	(Resigned 27 September 2018)
Simon Adams (Finance Director)	(Appointed 25 July 2019)

Results and dividends

The results for the year are set out on page 11.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

Further details on results are provided in the consolidated income statement on page 11 and in the five-year summary on page 39 which includes key performance indicators.

Directors' interests

The directors' interests in the shares of the company were as stated below:

Ordinary Shares of £1 each:

	At 31 March 2019	At 31 March 2018
Andrew Slee (Chairman)	6,900	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
Charlene Lyons (Non-Executive)	-	-
Paul Nolan (Non-Executive)	3,500	3,500
Paul Theakston (Non-Executive) (Resigned 27 September 2018)	137,844	137,844

Details of directors' share options are shown in note 25 to the financial statements.

Qualifying third party indemnity provisions

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.

THE BLACK SHEEP BREWERY PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

Post reporting date events

Details of events after the reporting date are provided in note 33 of the financial statements.

Auditor

A resolution proposing that RSM UK Audit LLP be reappointed as auditor of the group will be proposed at the forthcoming Annual General Meeting.

Matters of strategic importance

The group has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the group's Strategic Report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the Directors' Report. It has done so in respect of financial risk management objectives and policies.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

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 group, 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 group 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 2019 was 33 days (2018 - 38).

By order of the board

Simon Adams

Secretary

8 August 2019

THE BLACK SHEEP BREWERY PLC

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

The directors are responsible for preparing the Strategic Report and 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 group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 'parent company') and its subsidiary (the 'group') for the year ended 31 March 2019 which comprise the consolidated income statement, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated statement of cash flows 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 group's and the parent company's affairs as at 31 March 2019 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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.

Opinions on other matters prescribed by the Companies Act 2006

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BLACK SHEEP BREWERY PLC (CONTINUED)

Matters on which we are required to report by exception

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the 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
9 August 2019

THE BLACK SHEEP BREWERY PLC

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	2018 £
Turnover	3	19,350,071	18,597,513
Cost of sales		(14,026,902)	(13,658,170)
Gross profit		5,323,169	4,939,343
Distribution costs		(2,982,146)	(2,703,582)
Administrative expenses		(2,086,311)	(1,975,548)
Operating profit	6	254,712	260,213
Interest payable and similar expenses	8	(240,753)	(237,372)
Profit before taxation		13,959	22,841
Tax on profit	9	(37,071)	(21,560)
(Loss)/profit for the financial year		(23,112)	1,281

(Loss)/profit for the financial year is all attributable to the owners of the parent company.

THE BLACK SHEEP BREWERY PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

	Notes	2019 £	£	2018 £	£
Fixed assets					
Negative goodwill	10	(61,197)		-	
Tangible assets	12	8,163,504		7,894,216	
			8,102,307		7,894,216
Current assets					
Stocks	15	1,325,508		1,198,414	
Debtors	16	3,384,343		2,789,083	
Cash at bank and in hand		19,606		6,526	
			4,729,457		3,994,023
Creditors: amounts falling due within one year	17	(5,272,184)		(4,306,616)	
Net current liabilities			(542,727)		(312,593)
Total assets less current liabilities			7,559,580		7,581,623
Creditors: amounts falling due after more than one year	18		(1,416,978)		(1,499,413)
Provisions for liabilities	23		(508,781)		(425,277)
Net assets			5,633,821		5,656,933
Capital and reserves					
Called up share capital	24	2,117,172		2,117,172	
Share premium account	26	1,162,627		1,162,627	
Share option reserve	26	89,958		89,958	
Profit and loss reserves	26	2,264,064		2,287,176	
Total equity			5,633,821		5,656,933

The financial statements were approved by the board of directors and authorised for issue on 8 August 2019 and are signed on its behalf by:

Robert Theakston (Managing Director)
Director

THE BLACK SHEEP BREWERY PLC

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

	Notes	2019 £	£	2018 £	£
Fixed assets					
Tangible assets	12	7,528,805		7,894,216	
Investments	13	100		-	
		<u>7,528,905</u>		<u>7,894,216</u>	
Current assets					
Stocks	15	1,299,109		1,198,414	
Debtors	16	3,661,379		2,789,083	
Cash at bank and in hand		6,836		6,526	
		<u>4,967,324</u>		<u>3,994,023</u>	
Creditors: amounts falling due within one year	17	(5,114,347)		(4,306,616)	
Net current liabilities		<u>(147,023)</u>		<u>(312,593)</u>	
Total assets less current liabilities		<u>7,381,882</u>		<u>7,581,623</u>	
Creditors: amounts falling due after more than one year	18	(1,416,978)		(1,499,413)	
Provisions for liabilities	23	(413,534)		(425,277)	
Net assets		<u>5,551,370</u>		<u>5,656,933</u>	
Capital and reserves					
Called up share capital	24	2,117,172		2,117,172	
Share premium account	26	1,162,627		1,162,627	
Share option reserve	26	89,958		89,958	
Profit and loss reserves	26	2,181,613		2,287,176	
Total equity		<u>5,551,370</u>		<u>5,656,933</u>	

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes as it prepares group accounts. The company's loss for the year was £105,563 (2018 - £1,281 profit).

The financial statements were approved by the board of directors and authorised for issue on 8 August 2019 and are signed on its behalf by:

Robert Theakston (Managing Director)
Director

THE BLACK SHEEP BREWERY PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

	Share capital £	Share premium account £	Share option reserve £	Profit and loss reserves £	Total £
Balance at 1 April 2017	2,117,172	1,162,627	89,958	2,285,895	5,655,652
Year ended 31 March 2018:					
Profit and total comprehensive income for the year	-	-	-	1,281	1,281
Balance at 31 March 2018	2,117,172	1,162,627	89,958	2,287,176	5,656,933
Year ended 31 March 2019:					
Loss and total comprehensive income for the year	-	-	-	(23,112)	(23,112)
Balance at 31 March 2019	2,117,172	1,162,627	89,958	2,264,064	5,633,821

THE BLACK SHEEP BREWERY PLC

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

	Share capital £	Share premium account £	Share option reserve £	Profit and loss reserves £	Total £
Balance at 1 April 2017	2,117,172	1,162,627	89,958	2,285,895	5,655,652
Year ended 31 March 2018:					
Profit and total comprehensive income for the year	-	-	-	1,281	1,281
Balance at 31 March 2018	2,117,172	1,162,627	89,958	2,287,176	5,656,933
Year ended 31 March 2019:					
Loss and total comprehensive income for the year	-	-	-	(105,563)	(105,563)
Balance at 31 March 2019	2,117,172	1,162,627	89,958	2,181,613	5,551,370

THE BLACK SHEEP BREWERY PLC

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	£	2018 £	£
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	31		984,486		(151,513)
Investing activities					
Purchase of business	11	(668,481)		-	
Purchase of tangible fixed assets		(238,207)		(393,642)	
Proceeds on disposal of tangible fixed assets		41,911		4,548	
Net cash used in investing activities			(864,777)		(389,094)
Financing activities					
Proceeds of new bank loans		300,000		804,418	
Repayment of bank loans		(184,160)		(136,509)	
Payment of finance leases obligations		(105,507)		(214,428)	
Interest paid		(230,258)		(209,818)	
Interest element of hire purchase		(10,495)		(27,554)	
Net cash (used in)/generated from financing activities			(230,420)		216,109
Net decrease in cash and cash equivalents			(110,711)		(324,498)
Cash and cash equivalents at beginning of year			(1,834,359)		(1,509,861)
Cash and cash equivalents at end of year			(1,945,070)		(1,834,359)
Relating to:					
Cash at bank and in hand			19,606		6,526
Bank overdrafts included in creditors payable within one year			(1,964,676)		(1,840,885)

THE BLACK SHEEP BREWERY PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

Company information

The Black Sheep Brewery PLC (“the company”) is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is Wellgarth, Masham, Ripon, North Yorkshire, HG4 4EN.

The group consists of The Black Sheep Brewery PLC and its subsidiary, BSB Retail Limited which was incorporated on 9 April 2018.

The company's and the group's principal activities and nature of their operations are disclosed in the Directors' Report.

Accounting convention

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.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

Reduced disclosures

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 7 ‘Statement of Cash Flows’ – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 ‘Basic Financial Instruments’ and Section 12 ‘Other Financial Instrument Issues’ – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument;
- Section 33 ‘Related Party Disclosures’ – Compensation for key management personnel.

Basis of consolidation

The consolidated financial statements incorporate those of The Black Sheep Brewery PLC and its subsidiary, BSB Retail Limited. Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 March 2019. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

THE BLACK SHEEP BREWERY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies (Continued)

Business combinations

The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date.

Going concern

The group recorded a profit before tax of £13,959, reported a net asset position of £5,633,821 and had net current liabilities of £542,727. The Chairman's statement and Managing Director's report set out in more detail the result for the year to 31 March 2019 as well as the principal risks facing the business and the current trading environment in which the business operates within.

The directors' have prepared forecasts for the forthcoming 12 months which show that the group is able to meet its obligations as they fall due. The directors do consider that there are risks within the brewing sector that may cause trading to deteriorate. To mitigate this the directors over the last 12 months have diversified the business to include a retail arm and have further identified a number of actions which will be implemented over the period. These actions will enable the group to continue to trade and meet its debts as they fall due.

The directors have considered all the factors noted above and consider that it is appropriate to prepare the financial statements on a going concern basis.

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.

Negative goodwill

Negative goodwill arises when the cost of a business combination is less than the fair value of the interest in the identifiable assets, liabilities and contingent liabilities acquired. The amount up to the fair value of the non-monetary assets acquired is credited to profit or loss in the period in which those non-monetary assets are recovered. Negative goodwill in excess of the fair values of the non-monetary assets acquired is credited to profit or loss in the periods expected to benefit, as detailed in note 11.

The amortisation charge for the period is included within administrative expenses in the consolidated income statement.

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 recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Freehold property	50 years
Leasehold property	over the term of the lease
Plant & machinery	3 to 15 years
Motor vehicles	4 to 5 years

THE BLACK SHEEP BREWERY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies (Continued)

Tangible fixed assets (Continued)

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.

Fixed asset investments

In the separate accounts of the company, interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell.

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, an assessment is made for impairment. Any excess of the carrying amount of stocks 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.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

THE BLACK SHEEP BREWERY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies (Continued)

Financial instruments

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

Financial instruments are recognised when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors and amounts owed by group undertakings, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, 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.

Classification of financial liabilities

Financial liabilities and equity instruments are classified 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 group after deducting all of its liabilities.

The group 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.

THE BLACK SHEEP BREWERY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies (Continued)

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, bank overdrafts and bank loans, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the group's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the group are recorded at the fair value of proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

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 and deferred tax is charged or credited to 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 the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. 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.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination and the amounts that can be deducted or assessed for tax. The deferred tax recognised is adjusted against goodwill.

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 or fixed assets.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

THE BLACK SHEEP BREWERY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies (Continued)

Retirement benefits

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.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. 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.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Share-based payments

The group 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.

THE BLACK SHEEP BREWERY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

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 group as lessee.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

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 12 for the carrying amount of the property plant and equipment, and note 1 for the useful economic lives for each class of assets.

Acquisitions

When acquiring the trade and assets of a business, management are required to make a number of judgements and estimates. Management have concluded that the acquisition detailed in note 11 represents a business combination which has been accounted for using the acquisition method of accounting.

The group measures the separable assets acquired in a business combination at their fair value at that date. Management judgement is required in deriving a number of assumptions which are used in assessing the fair value of each acquisition asset. As detailed in note 11, management have considered the fair value of leasehold properties to be higher than the net book value on acquisition. This valuation has been based upon a value in use calculation. Management estimate is required in determining the discount rate, expected cash flows and period of cash flows to be included in the discounted cash flow used for this purpose. As such, the actual fair value of the leasehold property acquired could differ from that calculated by management.

Management judgement is also required in assessing the useful economic lives of these assets for the purposes of depreciation and amortisation. As detailed in note 11, the leasehold properties acquired are being depreciated over the lease term, which is 13 to 15 years. The negative goodwill created as a result of the business combination will be released to profit and loss in line with the depreciation of these leasehold properties which is the period that the group expects to benefit from the acquisition.

3 Turnover and other revenue

Turnover is generated by the principal activity of the group as disclosed in the Directors' Report on page 6.

THE BLACK SHEEP BREWERY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

4 Employees

The average monthly number of persons (including directors) employed during the year was:

	Group 2019 Number	2018 Number	Company 2019 Number	2018 Number
Production	27	18	27	18
Sales and distribution	35	33	35	33
Administration	22	12	22	12
Visitor centre	36	39	36	39
Retail	24	-	-	-
	<u>144</u>	<u>102</u>	<u>120</u>	<u>102</u>

Their aggregate remuneration comprised:

	Group 2019 £	2018 £	Company 2019 £	2018 £
Wages and salaries	2,537,376	2,335,864	2,475,527	2,335,864
Social security costs	227,305	224,669	223,473	224,669
Pension costs	186,763	175,793	186,527	175,793
	<u>2,951,444</u>	<u>2,736,326</u>	<u>2,885,527</u>	<u>2,736,326</u>

5 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	322,621	401,746
Company pension contributions to defined contribution schemes	38,330	41,394
	<u>360,951</u>	<u>443,140</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2018 - 4).

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2019 £	2018 £
Remuneration for qualifying services	97,079	96,149
Company pension contributions to defined contribution schemes	14,090	13,950

THE BLACK SHEEP BREWERY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

6 Operating profit

	2019 £	2018 £
Operating profit for the year is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	608,874	651,847
Depreciation of tangible fixed assets held under finance leases	42,580	102,083
(Profit)/loss on disposal of tangible fixed assets	(40,450)	287
Release of negative goodwill (note 11)	(81,546)	-
Cost of stocks recognised as an expense	6,149,032	5,622,647
Operating lease charges	167,469	142,757
	<u> </u>	<u> </u>

7 Auditor's remuneration

	2019 £	2018 £
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the financial statements of the group and company	20,000	19,000
Audit of the financial statements of the company's subsidiaries	5,000	-
	<u> </u>	<u> </u>
	25,000	19,000
	<u> </u>	<u> </u>
For other services		
Taxation compliance services	5,000	2,500
Other taxation services	1,000	-
All other non-audit services	7,700	32,558
	<u> </u>	<u> </u>
	13,700	35,058
	<u> </u>	<u> </u>

8 Interest payable and similar expenses

	2019 £	2018 £
Interest on bank overdrafts and loans	230,258	209,818
Interest on finance leases and hire purchase contracts	10,495	27,554
	<u> </u>	<u> </u>
Total finance costs	240,753	237,372
	<u> </u>	<u> </u>

THE BLACK SHEEP BREWERY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

9 Taxation

	2019 £	2018 £
Current tax		
UK corporation tax on profits for the current period	41,967	-
Adjustments in respect of prior periods	-	(11,958)
	<u>41,967</u>	<u>(11,958)</u>
Total current tax	<u>41,967</u>	<u>(11,958)</u>
Deferred tax		
Origination and reversal of timing differences	(5,127)	35,068
Adjustment in respect of prior periods	231	(1,550)
	<u>(4,896)</u>	<u>33,518</u>
Total deferred tax	<u>(4,896)</u>	<u>33,518</u>
Total tax charge for the year	<u>37,071</u>	<u>21,560</u>

The total tax charge for the year included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2019 £	2018 £
Profit before taxation	<u>13,959</u>	<u>22,841</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	2,652	4,340
Tax effect of expenses that are not deductible in determining taxable profit	3,538	5,066
Adjustments in respect of prior years	-	(11,958)
Effect of change in corporation tax rate	(9,796)	(4,506)
Other non-reversing timing differences	98,800	-
Fixed asset timing differences	14,552	30,168
Deferred tax on acquisition	(88,400)	-
Taxable amounts not included in the financial statements	15,494	-
Adjustments to deferred tax charge in respect of prior years	231	(1,550)
	<u>37,071</u>	<u>21,560</u>
Taxation charge for the year	<u>37,071</u>	<u>21,560</u>

THE BLACK SHEEP BREWERY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

10 Intangible fixed assets

Group	Negative goodwill
	£
Cost	
Additions - business combinations	(142,743)
At 31 March 2019	(142,743)
Amortisation and impairment	
Amortisation charged for the year	(81,546)
At 31 March 2019	(81,546)
Carrying amount	
At 31 March 2019	(61,197)
At 31 March 2018	-

The company had no intangible fixed assets at 31 March 2019 or 31 March 2018.

The amortisation charge for the year is included within administrative expenses in the consolidated income statement.

11 Acquisitions

On 21 December 2018 the group acquired elements of the trade and assets of The York Brewery Co. Ltd. for consideration of £668,481.

Management have concluded that the acquisition represents a business combination which has been accounted for using the acquisition method of accounting.

At 21 December 2018 the assets and liabilities assumed were recognised at their fair values to the group, as set out below:

	Book Value £	Adjustments £	Fair Value £
Property, plant and equipment	393,996	290,000	683,996
Stock	52,530	-	52,530
Trade and other debtors	81,549	81,549	163,098
Deferred tax	-	(88,400)	(88,400)
Total identifiable net assets	528,075	283,149	811,224
Negative goodwill			(142,743)
Total consideration			668,481

THE BLACK SHEEP BREWERY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

11 Acquisitions (Continued)

The consideration was satisfied by:	£
Cash	528,078
Acquisition costs	140,403
	<u>668,481</u>

Contribution by the acquired business for the reporting period included in the group statement of comprehensive income since acquisition: £

Turnover	306,724
Profit after tax	<u>82,451</u>

Negative goodwill

The negative goodwill on acquisition of £142,743 is being released to profit and loss in line with the realisation of the assets to which it relates. £81,546 has been released to profit and loss during the period in line with the collection of the trade and other debtors to which it relates during the period. The remaining negative goodwill will be released to profit and loss in line with the depreciation of the leasehold properties to which it relates. The leasehold properties are being depreciated over the life of the lease term which is 13 to 15 years, following the full novation of the leases to the group post year end.

12 Tangible fixed assets

Group	Freehold property £	Leasehold property £	Plant & machinery £	Motor vehicles £	Total £
Cost					
At 1 April 2018	8,232,893	-	8,069,222	531,720	16,833,835
Additions	-	-	238,207	-	238,207
Business combinations	-	531,996	152,000	-	683,996
Disposals	-	-	(1,498)	(144,200)	(145,698)
At 31 March 2019	<u>8,232,893</u>	<u>531,996</u>	<u>8,457,931</u>	<u>387,520</u>	<u>17,610,340</u>
Depreciation and impairment					
At 1 April 2018	1,977,212	-	6,468,078	494,329	8,939,619
Depreciation charged in the year	158,137	-	473,593	19,724	651,454
Eliminated in respect of disposals	-	-	(37)	(144,200)	(144,237)
At 31 March 2019	<u>2,135,349</u>	<u>-</u>	<u>6,941,634</u>	<u>369,853</u>	<u>9,446,836</u>
Carrying amount					
At 31 March 2019	<u>6,097,544</u>	<u>531,996</u>	<u>1,516,297</u>	<u>17,667</u>	<u>8,163,504</u>
At 31 March 2018	<u>6,255,681</u>	<u>-</u>	<u>1,601,144</u>	<u>37,391</u>	<u>7,894,216</u>

THE BLACK SHEEP BREWERY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

12 Tangible fixed assets (Continued)

Company	Freehold property £	Plant & machinery £	Motor vehicles £	Total £
Cost				
At 1 April 2018	8,232,893	8,069,222	531,720	16,833,835
Additions	-	287,002	-	287,002
Disposals	-	(1,498)	(144,200)	(145,698)
At 31 March 2019	8,232,893	8,354,726	387,520	16,975,139
Depreciation and impairment				
At 1 April 2018	1,977,212	6,468,078	494,329	8,939,619
Depreciation charged in the year	158,137	473,091	19,724	650,952
Eliminated in respect of disposals	-	(37)	(144,200)	(144,237)
At 31 March 2019	2,135,349	6,941,132	369,853	9,446,334
Carrying amount				
At 31 March 2019	6,097,544	1,413,594	17,667	7,528,805
At 31 March 2018	6,255,681	1,601,144	37,391	7,894,216

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases:

	Group 2019 £	2018 £	Company 2019 £	2018 £
Plant & machinery	273,315	330,459	273,315	330,459
Depreciation charge for the year in respect of leased assets	42,580	102,083	42,580	102,083

THE BLACK SHEEP BREWERY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

13 Fixed asset investments

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Investments in subsidiaries	14	-	-	100	-

Movements in fixed asset investments Company

	Shares in group undertakings £
Cost or valuation	
At 1 April 2018	-
Additions	100
At 31 March 2019	100
Carrying amount	
At 31 March 2019	100
At 31 March 2018	-

14 Subsidiaries

Details of the company's subsidiaries at 31 March 2019 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct Indirect
BSB Retail Limited	Wellgarth, Masham, Ripon, North Yorkshire, HG4 4EN	Operation of pubs	Ordinary	100.00 -

15 Stocks

	Group 2019 £	2018 £	Company 2019 £	2018 £
Raw materials and consumables	555,424	632,414	555,424	632,414
Finished goods and goods for resale	770,084	566,000	743,685	566,000
	1,325,508	1,198,414	1,299,109	1,198,414

THE BLACK SHEEP BREWERY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

16 Debtors

	Group 2019 £	2018 £	Company 2019 £	2018 £
Amounts falling due within one year:				
Trade debtors	2,918,037	2,704,863	2,918,037	2,704,863
Amounts owed by group undertakings	-	-	375,322	-
Other debtors	218,462	6,128	186,563	6,128
Prepayments and accrued income	247,844	78,092	181,457	78,092
	<u>3,384,343</u>	<u>2,789,083</u>	<u>3,661,379</u>	<u>2,789,083</u>

17 Creditors: amounts falling due within one year

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Bank loans and overdrafts	19	2,261,328	1,987,537	2,261,328	1,987,537
Obligations under finance leases	20	48,596	105,828	48,596	105,828
Trade creditors		2,059,540	1,323,143	1,952,727	1,323,143
Corporation tax payable		41,967	-	30,467	-
Other taxation and social security		633,890	567,629	611,231	567,629
Other creditors		26,986	62,853	22,465	62,853
Accruals and deferred income		199,877	259,626	187,533	259,626
		<u>5,272,184</u>	<u>4,306,616</u>	<u>5,114,347</u>	<u>4,306,616</u>

18 Creditors: amounts falling due after more than one year

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Bank loans and overdrafts	19	1,416,978	1,451,138	1,416,978	1,451,138
Obligations under finance leases	20	-	48,275	-	48,275
		<u>1,416,978</u>	<u>1,499,413</u>	<u>1,416,978</u>	<u>1,499,413</u>

Amounts included above which fall due after five years are as follows:

Payable by instalments	<u>826,704</u>	<u>925,596</u>	<u>826,704</u>	<u>925,596</u>
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THE BLACK SHEEP BREWERY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

19 Borrowings

	Group 2019 £	2018 £	Company 2019 £	2018 £
Bank loans	1,713,630	1,597,790	1,713,630	1,597,790
Bank overdrafts	1,964,676	1,840,885	1,964,676	1,840,885
	<u>3,678,306</u>	<u>3,438,675</u>	<u>3,678,306</u>	<u>3,438,675</u>
Payable within one year	2,261,328	1,987,537	2,261,328	1,987,537
Payable after one year	<u>1,416,978</u>	<u>1,451,138</u>	<u>1,416,978</u>	<u>1,451,138</u>

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 including intellectual property.

The bank loans are repayable in instalments over a period of thirteen years from the reporting date and incur variable interest charges at a market rate of interest secured at the inception of the loan.

20 Finance lease obligations

	Group 2019 £	2018 £	Company 2019 £	2018 £
Future minimum lease payments due under finance leases:				
Less than one year	48,596	105,828	48,596	105,828
Between one and five years	-	48,275	-	48,275
	<u>48,596</u>	<u>154,103</u>	<u>48,596</u>	<u>154,103</u>

Finance lease agreements are at various rates of interest. Repayments under the terms of the existing agreements will clear the liabilities within one year. Finance lease agreements are secured on the assets to which they relate.

THE BLACK SHEEP BREWERY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

21 Financial instruments

	Group 2019 £	2018 £	Company 2019 £	2018 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	3,136,499	2,710,991	n/a	n/a
Carrying amount of financial liabilities				
Measured at amortised cost	5,964,709	5,021,444	n/a	n/a

As permitted by the reduced disclosure framework within FRS 102, the company has taken advantage of the exemption from disclosing the carrying amount of certain classes of financial instruments, denoted by 'n/a' above.

22 Retirement benefit schemes

	2019 £	2018 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	186,763	175,793

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

Contributions totalling £22,466 (2018 - £17,953) were payable to the scheme at the end of the period and are included in creditors.

23 Deferred taxation

The major deferred tax liabilities and assets recognised by the group and company are:

	Liabilities 2019 £	Liabilities 2018 £
Group		
Accelerated capital allowances	511,549	434,730
Short term timing differences	(2,768)	(9,453)
	508,781	425,277
Company		
Accelerated capital allowances	416,302	434,730
Short term timing differences	(2,768)	(9,453)
	413,534	425,277

THE BLACK SHEEP BREWERY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

23 Deferred taxation (Continued)

	Group 2019 £	Company 2019 £
Movements in the year:		
Liability at 1 April 2018	425,277	425,277
Credit to profit or loss	(4,896)	(11,743)
Other	88,400	-
Liability at 31 March 2019	508,781	413,534

Deferred tax is provided at 17% (2018 - 17%).

24 Share capital

	Group and company 2019 £	2018 £
Ordinary share capital		
Authorised		
2,750,000 Ordinary shares of £1 each	2,750,000	2,750,000
Issued and fully paid		
2,117,172 Ordinary shares of £1 each	2,117,172	2,117,172

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.

Shareholders breakdown

Shares held at 3 April 2019:

	Number of shareholders	%	% holding in the company
1 – 1,000	885	72	16
1,001 – 5,000	288	24	34
5,001 and above	53	4	50
Total	1,226	100	100

THE BLACK SHEEP BREWERY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

25 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:

	Shares under option	2019 Weighted average exercise price	Shares under option	2018 Weighted average exercise price
Outstanding at beginning of year	50,648	3.58	75,041	3.25
Granted during the year	-	-	-	-
Forfeited during the year	(2,844)	2.53	(6,471)	2.53
Exercised during the year	-	-	-	-
Expired during the year	-	-	(17,922)	2.60
	<u>47,804</u>	<u>3.63</u>	<u>50,648</u>	<u>3.58</u>
Outstanding at the end of the year	47,804	3.63	50,648	3.58
	<u>36,000</u>	<u>3.99</u>	<u>36,000</u>	<u>3.99</u>
Exercisable at the end of the year	36,000	3.99	36,000	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.

THE BLACK SHEEP BREWERY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

25 Share-based payments (Continued)

Outstanding options

The following options were outstanding under HMRC approved option schemes at 31 March 2019:

Ordinary shares	Price (£)	Date of exercise
SAYE Scheme 20	2.53	July 2019
EMI Scheme 3	3.98	October 2012 - October 2019
EMI Scheme 4	3.68	July 2013 - June 2020
EMI Scheme 5	4.30	July 2014 - July 2021

Directors' share options

	At 1 April 2018	Forfeited/ expired	At 31 March 2019	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						
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

26 Reserves

Share premium

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

Share option reserve

The cumulative share-based payment expense.

Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

27 Earnings/(loss) per share

The group loss per share of 1.09p (2018 - earning of 0.1p) has been calculated on a loss of £23,112 (2018 profit - £1,281) and on a weighted average number of shares of 2,117,172 (2018 - 2,117,172). No material difference exists between dilutive EPS and basic EPS.

28 Financial commitments, guarantees and contingent liabilities

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 2019 amounted to £441,605 (2018 - £357,735) with an amount of £228,730 (2018 - £233,235) due within the next 12 months.

THE BLACK SHEEP BREWERY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

29 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2019 £	2018 £	Company 2019 £	2018 £
Within one year	93,005	113,381	57,304	113,381
Between one and five years	13,667	65,687	13,667	65,687
	<u>106,672</u>	<u>179,068</u>	<u>70,971</u>	<u>179,068</u>

30 Capital commitments

Amounts contracted for but not provided in the financial statements:

	Group 2019 £	2018 £	Company 2019 £	2018 £
Acquisition of tangible fixed assets	<u>188,432</u>	<u>-</u>	<u>188,432</u>	<u>-</u>

31 Cash generated from group operations

	2019 £	2018 £
(Loss)/profit for the year after tax	(23,112)	1,281
Adjustments for:		
Taxation charged	37,071	21,560
Finance costs	240,753	237,372
(Gain)/loss on disposal of tangible fixed assets	(40,450)	287
Amortisation and impairment of intangible assets	(81,546)	-
Depreciation and impairment of tangible fixed assets	651,454	753,930
Movements in working capital:		
(Increase) in stocks	(74,564)	(4,884)
(Increase) in debtors	(432,162)	(481,935)
Increase/(decrease) in creditors	707,042	(679,124)
Cash generated from/(absorbed by) operations	<u>984,486</u>	<u>(151,513)</u>

THE BLACK SHEEP BREWERY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

32 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel of the group, who are also directors, is as follows.

	2019 £	2018 £
Aggregate compensation	495,923	482,416

Included in the key management personnel figure above are consultancy fees of £100,903 (2018 - £55,000).

Other related party transactions

During the year, the group paid £2,325 (2018 - £nil) to entities in which a close family member of key management personnel is director of for consultancy services. At the reporting date, £1,063 (2018 - £nil) was owed to these entities, which is unsecured, interest free and repayable on demand.

33 Events after the reporting date

On 26 April 2019, the group purchased the remaining lease term of the premises currently known as "Kith & Kin" at 16/18 Stainbeck Lane, Chapel Allerton, Leeds for consideration of £29,500. On this date, the employees of "Kith & Kin" also transferred to the group under a TUPE agreement along with the premises licence. On the same date, the trademark "Kith & Kin" was also acquired by the group for consideration of £1.

On 21 June 2019 the group exited the premises at 12 Toft Green, York occupied by the York Brewery and handed it back to the landlord. On this date a number of employees were transferred to the Masham Brewery site and some were made redundant. The Brewery operation and assets of the brewery were moved to Masham whilst the group undertakes to identify a new site in York from which to operate. The costs associated with the exit of the building were to date £41,000 including the costs of redundancies. The directors do not believe that there is an impact upon the carrying value of the York Brewery purchase reflected in these accounts.

During June 2019 the leases for the three retail outlets acquired as part of the acquisition of York Brewery were novated to BSB Retail Limited. These leases are for a period of between 13 and 15 years.

On 26 July 2019 the Masham Visitor Centre was transferred from the company to BSB Retail Limited.

THE BLACK SHEEP BREWERY PLC

FIVE YEAR FINANCIAL SUMMARY

FOR THE YEAR ENDED 31 MARCH 2019

	2015 £'000	2016 £'000	2017 £'000	2018 £'000	2019 £'000
Profit and loss accounts					
Turnover	19,545	18,258	17,998	18,597	19,350
Beer duty payable	7,732	7,013	6,960	7,225	7,093
Profit before adjustments	940	360	618	1,014	906
Depreciation	(781)	(793)	(776)	(754)	(651)
Restructuring costs	-	-	(280)	-	-
Share-based payments charge	(4)	(5)	-	-	-
Interest and charges	(189)	(169)	(198)	(237)	(241)
Profit/(loss) on ordinary activities before taxation	(34)	(607)	(636)	23	14
Taxation on profit on ordinary activities	8	147	74	(22)	(37)
Profit/(loss) attributable to shareholders	(26)	(460)	(562)	1	(23)
Balance sheets					
Fixed assets	9,146	8,939	8,259	7,894	8,102
Net current liabilities	(458)	(950)	(1,193)	(313)	(543)
Creditors greater than one year	(1,415)	(1,306)	(1,018)	(1,499)	(1,417)
Provision - deferred taxation	(600)	(466)	(392)	(425)	(509)
Shareholders' funds	6,673	6,217	5,656	5,657	5,633
Earnings per share (pence)	(1.2)	(21.8)	(26.5)	0.1	(1.09)
Year-end ratios					
Profit before adjustments to turnover (%)	4.8	2.0	3.4	5.5	4.7
Total net debt	4,038	3,603	2,808	3,586	3,707
Gearing - debt/shareholders' funds (%)	61	58	50	63	66
Share price at 31 March	£3.00	£3.00	£1.50	£2.00	£1.65

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 Asset Match will run regular online 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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THE BLACK SHEEP BREWERY PLC

FOR THE YEAR ENDED 31 MARCH 2019

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of the Company will be held at Masham Town Hall, Masham, Ripon, HG4 4DY on Thursday 19 September 2019 at 2.00pm for the following purposes:

Ordinary Business

1. To receive the company's accounts together with the Reports of the Directors and of the Auditors thereon for the year ended 31 March 2019.
2. To reappoint RSM UK Audit LLP as auditors to the company, to hold office until the end of the next general meeting at which accounts are laid before the company.
3. To authorise the Directors of the company to determine the remuneration of the auditors of the company.
4. That Jonathan Theakston be reappointed as Director.
5. That Robert Theakston be reappointed as Director.
6. That Andrew Slee be reappointed as Director.
7. That Paul Nolan be reappointed as Director.
8. That Charlene Lyons be reappointed as Director in accordance with article 82 of the company's articles of association.
9. That Simon Adams be reappointed as Director in accordance with article 82 of the company's articles of association.

Special Business

As special business, to consider and if thought fit pass the following resolutions which are to be proposed as to resolutions 10 and 11 as ordinary resolutions and as to resolutions 12 to 14 (inclusive) as special resolutions:

Ordinary resolutions:

10. THAT the authorised share capital of the company be increased from 2,750,000 Ordinary Shares of £1.00 each to 5,000,000 Ordinary Shares of £1.00, by the creation of 2,250,000 Ordinary Shares of £1 each, such new Ordinary Shares having the rights and being subject to the obligations as set out in the company's articles of association for the time being (the **Articles**).
11. THAT the board be and it is generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the **2006 Act**) (in substitution for any existing authority to allot shares):
 - 11.1 to allot shares in the company and to grant rights to subscribe for or to convert any security into shares in the company up to an aggregate nominal amount of £705,000, being approximately one third of the current issued share capital, (such amount to be reduced by any allotments made under resolution 11.2 in excess of such sum); and further

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THE BLACK SHEEP BREWERY PLC

FOR THE YEAR ENDED 31 MARCH 2019

- 11.2 to exercise all powers of the company to allot equity securities (within the meaning of section 560 of the said Act) in connection with a rights issue in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them up to an aggregate nominal amount of £705,000 (being approximately one third of the current issued share capital) (such amount to be reduced by any allotments or grants made under resolution 11.1),

provided that such authority shall expire on 31 October 2020 (or if earlier, the date of the next annual general meeting of the company) but so that the company may before such expiry make an offer or agreement which would or might require such shares to be allotted or such rights to be granted after such expiry, and the Directors may allot such shares and grant such rights in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired.

Special resolutions:

12. THAT if resolution 11 as set out in the notice of this meeting is passed, the board be authorised pursuant to section 570 of the 2006 Act to allot equity securities (as defined in section 560 of the 2006 Act) for cash under the general authority given by resolution 11 as if section 561(1) of the 2006 Act did not apply to such allotment, such authority to be:

- 12.1 in connection with or pursuant to an offer by way of rights, open offer or other pre-emptive offer to the holders of shares in the company and other persons entitled to participate therein in proportion (as nearly as practicable) to their respective holdings, subject to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of any territory or the regulations or requirements of any regulatory authority or any stock exchange in any territory; and

- 12.2 otherwise than under paragraph 12.1 above, up to a nominal amount of £315,000,

such authority to expire on 31 October 2020 (or if earlier, the date of the next annual general meeting of the company) but, in each case, prior to its expiry the company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted after the authority expires and the Directors may allot equity securities under any such offer or agreement as if the authority had not expired.

13. THAT if resolution 11 as set out in the notice of this meeting is passed, the board be authorised pursuant to section 570 of the 2006 Act in addition to any authority granted under resolution 12 as set out in the notice of this meeting to allot equity securities (as defined in section 560 of said 2006 Act) for cash under the authority given by that resolution as if section 561(1) of the 2006 Act did not apply to any such allotment or sale, such authority to be:

- 13.1 limited to the allotment of equity securities up to a nominal amount of £315,000; and

- 13.2 used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the board determines to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,

THE BLACK SHEEP BREWERY PLC

FOR THE YEAR ENDED 31 MARCH 2019

14. THAT the company be generally and unconditionally authorised, pursuant to section 701 of the 2006 Act, to make market purchases (as defined in section 693(4) of the Companies Act 2006) of up to 211,717 Ordinary Shares of £1.00 each in the capital of the company (being approximately 10 per cent of the current issued ordinary share capital of the company) on such terms and in such manner as the Directors of the company may from time to time determine, provided that:
- 14.1 the amount paid for each Ordinary Share (exclusive of expenses) shall not be more than the higher of (1) five per cent above the average market value for the five business days before the date on which the contract for the purchase is made, and (2) an amount equal to the higher of the price of the last independent trade and highest current independent bid on Asset Match's market; and
- 14.2 the authority herein contained shall expire on 31 October 2020 or if earlier, the date of the next annual general meeting of the company whichever is earlier, provided that the company may, before such expiry, make a contract to purchase its own shares which would or might be executed wholly or partly after such expiry, and the company may make a purchase of its own shares in pursuance of such contract as if the authority hereby conferred hereby had not expired.

Notes:

1. Any member entitled to attend and vote at the meeting is entitled (unless they have, pursuant to article 73 of the Articles, nominated someone else to enjoy such a right, in which case only the person so nominated may exercise the right) to appoint a proxy (who need not be a member of the company) to attend and on a poll to vote instead of the member. Completion and return of a form of proxy will not preclude a member from attending and voting at the meeting in person, should he subsequently decide to do so.
2. In order to be valid, any form of proxy signed in accordance with article 73 of the Articles must be delivered to the company in accordance with the provisions of article 75 of the Articles.
3. The right of members to vote at the meeting is determined by reference to the register of members and shareholders must be on the company's share register at close of business on 17 September 2019 in order to be entitled to attend and vote at the meeting. Such shareholders may only cast votes in respect of shares held at such time. Changes to entries on the register after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

By Order of the Board

Simon Adams
Company Secretary
08 August 2019

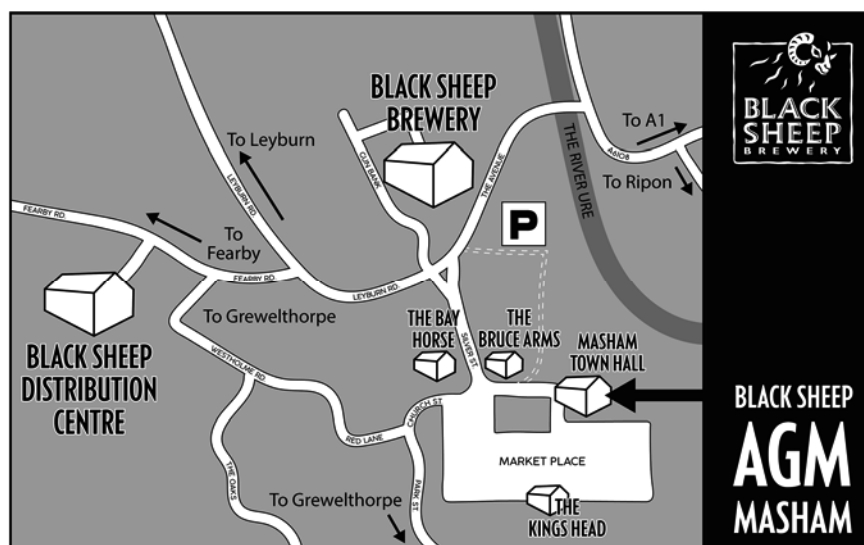
THE BLACK SHEEP BREWERY PLC

FOR THE YEAR ENDED 31 MARCH 2019

Annual General Meeting
Thursday 19 September 2019 at 2.00pm
Domestic arrangements

PLEASE NOTE THAT OUR AGM WILL BE HELD AT MASHAM TOWN HALL

Location: This year our AGM will be back at **Masham Town Hall**. After the meeting, the customary hospitality will be extended to everybody in the Brewery Visitor Centre. The map below gives directions. The Town hall is only a five minute walk from the Brewery. A shuttle bus will be operating between the Town Hall and the Visitor Centre 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. 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 the Town Hall 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 Masham Town Hall, 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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NOTES

NOTES



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