

Company Registration No. 02686985 (England and Wales)

**THE BLACK SHEEP BREWERY PLC
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2020**



THE BLACK SHEEP BREWERY PLC

COMPANY INFORMATION

Directors	Andrew Slee (Chairman) Robert Theakston (Managing Director) Jonathan Theakston (Sales & Marketing Director) Charlene Lyons (Chief Executive Officer) Paul Nolan (Non-Executive)
Secretary	Amy Clarkson
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 2020

Firstly, I hope those reading these comments do so having come through lockdown safe and well during these most uncertain times for all of us.

Thank you for continued support and interest in Black Sheep Brewery.

Coronavirus

My overwhelming emotion is one of relief that Black Sheep Brewery is still around to brew fabulous beer and be the heartbeat of Yorkshire brewing. This is testament to the incredible professionalism and hard work of the Black Sheep team whom I would especially like to thank, for their hard work and sacrifice particularly during those tumultuous first few, highly uncertain weeks. I am delighted we have obtained a Coronavirus Business Interruption Loan which secures our long-term future.

We went into lockdown with four objectives

1. To preserve cash.
2. To support our off-trade customers and also find new ways of reaching our loyal customers.
3. To continue progress on the packaging line development.
4. To devise a plan to react to a post lockdown world.

The CEO report articulates in more detail how we tackled these challenges but as Chairman I could not have wished for more from the team during lockdown.

People changes in 2019/20

In recent years Black Sheep had embarked on an ambitious plan for growth. We increased our sales resource in our heartland of Yorkshire, acquired York Brewery and its pubs and started developing our own packaging line. These at the same time as continuing to brew and innovate our multi award winning range of drinks.

We have shown progress against this plan in the last couple of years, but it became clear that the Executive team needed extra help if that momentum was to continue.

Charlene Lyons had been helping the team alongside her role as Non-Executive Director for some time. I was delighted when she agreed to formalise her relationship with Black Sheep and become Chief Executive to work alongside Rob and Jo Theakston.

The year also saw the appointment of Chris Kelly as Interim Finance Director at Black Sheep after the departure of Simon Adams. Chris is an experienced FD, whose wisdom and hard work has been a huge factor in navigating the last few months.

Main strategic developments in the year

When our third party packager closed their doors to us during lockdown, the strategic importance of the packaging line development was re-emphasised. Fortunately, our packaging found a temporary new home, whilst development of the packaging line, led by Rob Theakston, continued throughout lockdown.

The production of mini kegs has commenced in Masham, with keg, bottle and can production set for the end of 2020 with assets being progressively brought into use from October 2020.

In line with our strategy of developing a retail estate, Black Sheep were in advanced negotiations to buy a small local pub chain. Unfortunately, we were unable to conclude the purchase of these sites. The £0.2m cost of the aborted transaction is included in the 2019/20 results. For the time being, our aim to grow this side of our business is on hold.

THE BLACK SHEEP BREWERY PLC
CHAIRMAN'S STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020

Strategic outlook

Whilst we are pleased with how we have coped with lockdown, all things are relative. The Black Sheep Board is conscious that we are very much at "the end of the beginning."

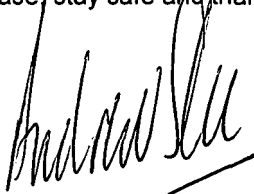
We continue to adapt to the rapidly changing environment, but like the rest of the broader hospitality sector we cannot plan too far ahead or succeed on our own. Our recovery will need a thriving on trade, the lifeblood of any brewer, which in turn will need an increase in consumer confidence to eat and drink out.

During lockdown I have been working with Trade bodies to highlight the unique plight of British hospitality and to lobby for help. Whilst their response to help pubs has been targeted and generous, UK Brewers of all sizes have received no specific help.

The need for cooperation between smaller British brewers has never been greater, to highlight the challenges and threats ahead of us. Be assured, Black Sheep will be at the heart of any such discussions over the weeks and months ahead.

We will not be in Masham in October to share a traditional pint after our AGM but I hope to do so as soon as regulations allow.

Please, stay safe and thanks for your continued support.



Andrew Slee
Chairman

2 September 2020

THE BLACK SHEEP BREWERY PLC

CHIEF EXECUTIVE OFFICER'S REPORT

FOR THE YEAR ENDED 31 MARCH 2020

This year has been a year of transition and change and a firm focus on our core strategic objectives has enabled Black Sheep to make enormous progress in key areas notwithstanding that trading was difficult. Trade with multiple pub groups and wholesalers was challenging resulting in lower than expected volumes. Focus, pace, structure, and opportunity has been at the forefront of everyone's minds and I am delighted that the response to change has been entirely positive.

With 14% of all cask beer consumed in the county of Yorkshire alone, we recognise the importance of winning and maintaining distribution in our heartland region and this year we bolstered our sales force to be able to sell directly to free of tie pubs and capitalise on the increased margin benefits which can be achieved by delivering to pubs directly with our own Black Sheep distribution fleet. Taking figures to the end of February, there was a 22.9% increase in the gross profit derived from Local Direct sales this year, and over the last 2 years, since the strategic objective was set, the increase is 40%.

We know the Black Sheep brand is embedded in the very fabric of the Yorkshire hospitality experience which has contributed to the "Owning Yorkshire" strategy becoming the bedrock of the on and off trade plans. We have continued to trade with all national Multiple Grocers. These provide significant growth opportunities and we continue to win seasonal own label tenders beating competitor breweries to a series of contracts. We have also identified a host of major trading opportunities that we hope to progress throughout the course of this year.

Focussing on a smaller more profitable product range has been a very worthwhile project this year and encouragingly the integration of the core York Brewery brands into the Black Sheep portfolio has been seamless. This year York Brewery beers have contributed £0.3m of gross profit, which will grow next year as rebrands are underway. We also added Black Sheep Gin to our portfolio as we continue to innovate.

A further highlight for the year has been the partnership with Mitchells and Butlers' Ember Inns which has proved profitable and successful again this year and the switch to our own Twilighter fresh IPA from Ember Inns Pale Ale has yielded significant additional volume.

The packaging line is on track to be fully functioning in December 2020, with all of the same significant benefits to gain as previously communicated. In addition to the margin improvement we are hugely excited about the opportunities this presents in terms of flexibility, income generation and customer service.

At the heart of everything is the fact that we brew incredible beer. The quality of which cannot be questioned. This year has seen us bring home 21 awards across a variety of products from organisations including SIBA, The International Brewing Awards, The World Beer Awards and The International Beer Challenge. A highlight to mention is Milk Stout that won 'Overall Champion' at the International Brewing Awards in May 2019 as well the UK Winner at the World Beer Awards in August 2019. This year, in July 2020, Milk Stout also won the national gold medal at the SIBA awards.

The Strategic Report outlines the background to our operating loss of £1.5 million in the year. Exceptional costs of £0.8 million contributed significantly to this amount and details are set out in Note 6 to the accounts.

Retail started the year as a major focus for Black Sheep and 4 of our 5 pubs, (including the Visitor Centre) have traded steadily throughout the year. After a significant post acquisition loss-making period the Tap and Kitchen was refurbished and rebranded just before lockdown and initial trading signs were good, and that positivity has been replicated since reopening in July. An aborted acquisition led to costs of £0.2m bringing the Retail operating loss to £0.6 million for the year.

As highlighted in the strategic report FY19/20 has been transitional and the Brewery business would have made an adjusted operating profit of £0.4 million had we not been impacted by Covid. The £0.9 million operating loss was after exceptional costs of £0.6 million and depreciation of £0.5 million and the loss of approximately £0.2 million of gross margin due to Covid in March.

THE BLACK SHEEP BREWERY PLC

CHIEF EXECUTIVE OFFICER'S REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

We ended the year in the strangest of circumstances, in the middle of a global pandemic with 80% of our team on furlough and with pubs officially closed. I feel incredibly proud of what we as a business have achieved since lockdown. Some highlights include over 35% growth in our supermarket sales, the mail order service, our food delivery service and our home beer and trade delivery services, some of which were non-existent beforehand. These provided important levels of gross margin which helped to minimise our losses. We very quickly changed our strategy, mobilised plans and focussed on controlling everything we could. We were bold and we were brave, and we fought with every ounce of energy to ensure Black Sheep would emerge better and stronger, and we have.

Immediately following pub closures we relied entirely on our off Trade performance which has been at Christmas levels of trading since April. This is testament to our strong brand, excellent customer relationships and success in securing packaging slots.

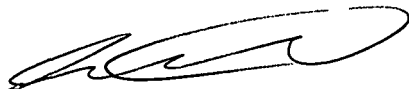
In the on trade our key decision was to brew beer, and a lot of it, in anticipation of pubs reopening on 4 July 2020. We had stock on the ground, we got listings and we had a strong and focussed sales team. We shouted about the fact that we had available products, including gaining slots on national news. We worked tirelessly to ensure that every last drop of beer was sold, we progressed with plans to rebrand two of our core products and our strong brands were very quickly a must stock on the bar.

Strategically we have also reduced the number of wholesalers we trade with and reduced our sales of factored goods, allowing greater focus on more profitable routes to market. This has also opened up other opportunities in our local heartland where we are pursuing our strategic priority of 'owning Yorkshire'. In addition this reduces distribution costs and operational complexity.

In retail we have now reopened three of our sites and are looking forward to returning to a degree of normality. In the meantime, we continue to focus on additional revenue streams in retail including ecommerce.

Looking forward, whilst our core strategic objectives remain unchanged, ('Owning Yorkshire', developing a packaging line, innovation and owning pubs), we have made huge progress with operational and process changes that have yielded incredibly positive results. As much as Covid has been a real negative, it has allowed the Executive team to make changes, redefine focus and implement decisions that would have ordinarily taken much longer to execute. We have also been successful in securing CBILs financing to assist in executing our post Covid strategy.

Trading in FY 20/21 has so far exceeded expectations, given Covid, and since pubs reopened the positive response to our products across all channels has been encouraging. A revised strategy, clear focus and excellent customer relationships put us in a strong position for the year ahead. I look forward to sharing more detail with you through future shareholder communications.



Charlene Lyons
Chief Executive Officer

2 September 2020

THE BLACK SHEEP BREWERY PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2020

The directors present the strategic report for the year ended 31 March 2020.

Fair review of the business

The Chairman's Statement on pages 1 & 2 and the Chief Executive Officer's report on pages 3 & 4 include details of the business strategy and expected future developments. In addition, the key performance indicators (KPI's) used in the business are set out in the Five Year Summary on page 44.

The loss before tax of £1,769,841 compares to a profit before tax of £13,959 in 2019.

A review of the business for the year is set out in the Chairman and CEO reports. A relatively difficult trading environment during the year for the Brewery was compounded by the severe impact of Covid-19 in March 2020 and our retail business turned in disappointing results due to acquisition related activities.

The key focus during the year was on implementing strategic change. The results for the year reflect the transition the business is going through. There were many positives for the business derived from the focus on Yorkshire and the Local Direct market, the integration of York Brewery brands and developing profitable relationships with Multiple Pub Groups, as well as progress on the packaging line. In a very competitive market place an underlying operating profit for the Brewery, before exceptional costs and the impact of Covid, demonstrates positive forward momentum on which the business can build.

The adjusted result for the group before interest and tax, (stated after adding back £0.8m of exceptional costs which are described below), was a loss of £0.7m. Of the loss, £0.4m related to BSB Retail and £0.3m to the Brewery. Once the loss of gross margin due to pub closures in March, (estimated at £0.2m) and £0.5m of depreciation are taken into account the Brewery made £0.4m of underlying profit before depreciation, interest, tax and exceptionals. BSB Retail's underlying loss of £0.4m included losses of £0.3m following the acquisition of a site in Chapel Allerton.

As well as lost sales and margin in March due to the pandemic, the Brewery was then expected by its competitors and customers to provide replacement beer throughout the supply chain. The exceptional costs of providing for resupply, for writing off our stock of cask product (which has a short life) and for potential bad debts amounts to over £0.3m. The Brewery also incurred exceptional restructuring costs and legal costs of a further £0.3m and Retail incurred aborted acquisition costs relating to a deal for 5 new retail sites of £0.2m.

The Group's net asset position has reduced and the Group continues to have net current liabilities although £1.0m of the increase of £2.5m is in relation to the pre-inception loans for the Company's new packaging line. The Company's bankers have been very supportive and on 27 August 2020 the company entered into a CBILs facility of £3.1m with Close Brothers. Of this amount £0.2m replaced existing facilities.

The movement in shareholders' funds is consistent with the increase in share capital following a placing in 2019 which raised £0.5m after expenses and the retained loss after taxation for the period. No dividends have been paid or declared in the period.

Principal risks and uncertainties

The industry in which we operate and our business has been profoundly impacted by Covid-19. The management team have responded decisively to the challenges of operating in these unprecedented times. We continue to operate in as flexible a manner as possible to mitigate the risks and uncertainties which continue to face the business, particularly at a time of prolonged closure of many pubs. Our industry remains vulnerable to Government changes to legislation and taxation. The burden of beer duty, as detailed in the Five Year Summary, remains significant. Pubs have continued to close while the number of microbreweries at least prior to Covid-19 increased, 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 arising 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

THE BLACK SHEEP BREWERY PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

business throughout the year, and outstanding debtor balances at the year end, with a concentrated number of supermarkets and multiple pub groups. The exposure to these customer groups is managed through regular management reviews and credit insurance.

Liquidity risk

The 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.

Report under s172 of the Companies Act 2006

The Directors' key decisions are made with due regard for the Group's key stakeholders and other matters as specified in s172. When making decisions each Director ensures that he/she acts in the way he/she considers, in good faith, would most likely promote the Company's success for the benefit of its members as a whole. It is important to the Board that the Group maintains its positive reputation for high standards of business conduct. The Directors consider that they act fairly as between the members of the company.

During the year the Group has followed the key elements of the strategy in relation to growing its presence in its Yorkshire heartlands, to building a packaging plant in Masham to improve supply chain, product innovation and owning pubs. In more recent months critical decisions have been made to ensure that the Group responded to the challenges faced in the light of the global Coronavirus pandemic. Decisions made have been considered in the light of these mainly long term strategic aims and to secure the Group's position in the Brewing and Retail sectors. These matters are discussed in further detail in the Chairman and Chief Executive Officers reports.

The impact of decisions on the interests of the Group's employees is considered at all times as are the interests of investors, suppliers, customers and other key stakeholders.

During the year the Company has communicated with shareholders at its AGM and by way of announcements on its web site. The directors engage on a regular basis with employees, and this has been a key focus since March 2020 when a large number of staff have worked from home and have been on furlough. Engagement with suppliers, customers and other stakeholders has been managed throughout the year based on a clear management reporting structure.

Many of our employees, suppliers and customers are based in North Yorkshire. The Directors therefore have particular regard for the impact of the business on the local community and environment.

By order of the board



Amy Clarkson

Secretary

2 September 2020

THE BLACK SHEEP BREWERY PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2020

The directors present their annual report and financial statements for the year ended 31 March 2020.

Principal activities

The principal activities of the group during the year were brewing for sale and the operation of pubs. 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)

Charlene Lyons (Chief Executive Officer)

Robert Theakston (Managing Director)

Jonathan Theakston (Sales & Marketing Director)

Paul Nolan (Non-Executive)

Simon Adams (Finance Director)

(Appointed 25 July 2019; resigned 10 January 2020)

Stephen Constable (Finance Director)

(Resigned 17 May 2019)

Results and dividends

The results for the year are set out on page 12.

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 12 and in the five-year summary on page 44 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 2020	At 31 March 2019
Andrew Slee (Chairman)	6,900	6,900
Robert Theakston (Managing Director)	6,256	6,256
Jonathan Theakston (Sales & Marketing Director)	11,050	11,050
Charlene Lyons (CEO)	-	-
Paul Nolan (Non-Executive)	3,500	3,500

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.

Post reporting date events

On 27 August 2020 the group entered into a Coronavirus Business Interruption Loan, details of which are given in note 33.

THE BLACK SHEEP BREWERY PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

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.

Stakeholder engagement

The Board recognises the importance of engagement with its key stakeholders and has a delegated structure for appropriate levels of engagement. Our key stakeholders include employees, investors, funders, customers and suppliers as well as our local community in North Yorkshire. Business decisions are made taking into account the group's relationships with key stakeholder groups.

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 2020 was 61 days (2019 - 33). The increase arose due to a temporary increase in creditors following the closure of pubs from 20 March 2020 which impacted on liquidity at the time.

Greenhouse Gas emissions, energy consumption and energy efficiency

The following table shows an estimate of the amount of CO2 emissions resulting from the purchase of energy for the Group's use during the financial year. The group is reviewing ways of reducing its carbon footprint. Whilst the new packaging line will increase direct emissions it will reduce the overall impact of the group's supply chain.

	Tonnes of CO2	kWh
Gas	406.45	2,251,239
Fuel for transport	89.30	494,619
Electricity	333.69	1,848,250
	829.44	4,594,108

The calculations are based on metered readings and for transport on quantities of fuel purchased. The above statistics indicate that the group emits 42 tonnes of CO2 per £1m of turnover.

By order of the board



Amy Clarkson

Secretary

2 September 2020

THE BLACK SHEEP BREWERY PLC

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2020

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.

The directors are responsible for the maintenance and integrity of the corporate financial information included on The Black Sheep Brewery PLC web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 2020 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 2020 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

2 September 2020

THE BLACK SHEEP BREWERY PLC
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £	2019 £
Turnover	3	19,456,480	19,350,071
Cost of sales		(13,808,963)	(14,026,902)
Gross profit		5,647,517	5,323,169
Distribution costs		(2,908,207)	(2,982,146)
Administrative expenses		(4,278,902)	(2,086,311)
Operating (loss)/profit	6	(1,539,592)	254,712
Adjusted operating (loss)/profit		(711,060)	254,712
Exceptional items	6	(828,532)	-
Operating (loss)/profit		(1,539,592)	254,712
Interest payable and similar expenses	8	(230,249)	(240,753)
(Loss)/profit before taxation		(1,769,841)	13,959
Tax on (loss)/profit	9	(26,595)	(37,071)
Loss for the financial year		(1,796,436)	(23,112)

Loss 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 2020

	Notes	£	2020 £	£	2019 £
Fixed assets					
Negative goodwill	10		(56,860)		(61,197)
Tangible assets	12		9,342,507		8,163,504
			<u>9,285,647</u>		<u>8,102,307</u>
Current assets					
Stocks	15	1,434,809		1,325,508	
Debtors	16	2,364,494		3,384,343	
Cash at bank and in hand		114,674		19,606	
			<u>3,913,977</u>	<u>4,729,457</u>	
Creditors: amounts falling due within one year	17	(6,993,608)		(5,272,184)	
Net current liabilities			<u>(3,079,631)</u>		<u>(542,727)</u>
Total assets less current liabilities			6,206,016		7,559,580
Creditors: amounts falling due after more than one year	18		(1,242,609)		(1,416,978)
Provisions for liabilities	23		(577,343)		(508,781)
Net assets			<u>4,386,064</u>		<u>5,633,821</u>
Capital and reserves					
Called up share capital	24		2,432,172		2,117,172
Share premium account	26		1,396,306		1,162,627
Share option reserve	26		23,209		89,958
Profit and loss reserves	26		534,377		2,264,064
Total equity			<u>4,386,064</u>		<u>5,633,821</u>

The financial statements were approved by the board of directors and authorised for issue on 2 September 2020 and are signed on its behalf by:



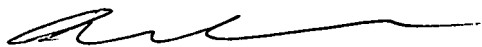
Charlene Lyons
Chief Executive Officer

THE BLACK SHEEP BREWERY PLC
COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Notes	£	2020 £	£	2019 £
Fixed assets					
Tangible assets	12		8,547,406		7,528,805
Investments	13		100		100
			<u>8,547,506</u>		<u>7,528,905</u>
Current assets					
Stocks	15	1,354,958		1,299,109	
Debtors	16	3,245,867		3,661,379	
Cash at bank and in hand		4,416		6,836	
			<u>4,605,241</u>	<u>4,967,324</u>	
Creditors: amounts falling due within one year	17	(6,554,517)		(5,114,347)	
Net current liabilities			<u>(1,949,276)</u>		<u>(147,023)</u>
Total assets less current liabilities			6,598,230		7,381,882
Creditors: amounts falling due after more than one year	18		(1,242,609)		(1,416,978)
Provisions for liabilities	23		<u>(451,615)</u>		<u>(413,534)</u>
Net assets			<u>4,904,006</u>		<u>5,551,370</u>
Capital and reserves					
Called up share capital	24		2,432,172		2,117,172
Share premium account	26		1,396,306		1,162,627
Share option reserve	26		23,209		89,958
Profit and loss reserves	26		<u>1,052,319</u>		<u>2,181,613</u>
Total equity			<u>4,904,006</u>		<u>5,551,370</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 £1,196,043 (2019 - £105,563 loss).

The financial statements were approved by the board of directors and authorised for issue on 2 September 2020 and are signed on its behalf by:



Charlene Lyons
Chief Executive Officer

THE BLACK SHEEP BREWERY PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 31 MARCH 2020

	Share capital £	Share premium account £	Share option reserve £	Profit and loss reserves £	Total £
Balance at 1 April 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
Year ended 31 March 2020:					
Issue of share capital	315,000	315,000	-	-	630,000
Related costs of fundraising	-	(81,321)	-	-	(81,321)
Transfer relating to lapsed options	-	-	(66,749)	66,749	-
Loss and total comprehensive income for the year	-	-	-	(1,796,436)	(1,796,436)
Balance at 31 March 2020	2,432,172	1,396,306	23,209	534,377	4,386,064

THE BLACK SHEEP BREWERY PLC
COMPANY STATEMENT OF CHANGES IN EQUITY
AS AT 31 MARCH 2020

	Share capital £	Share premium account £	Share option reserve £	Profit and loss reserves £	Total £
Balance at 1 April 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
Year ended 31 March 2020:					
Issue of share capital	315,000	315,000	-	-	630,000
Related costs of fundraising	-	(81,321)	-	-	(81,321)
Transfer relating to lapsed options	-	-	(66,749)	66,749	-
Loss and total comprehensive income for the year	-	-	-	(1,196,043)	(1,196,043)
Balance at 31 March 2020	2,432,172	1,396,306	23,209	1,052,319	4,904,006

THE BLACK SHEEP BREWERY PLC
CONSOLIDATED STATEMENT OF CASH FLOWS
AS AT 31 MARCH 2020

	Notes	£	2020 £	£	2019 £
Cash flows from operating activities					
Cash generated from operations	31		1,371,212		984,486
Investing activities					
Purchase of business	11	-		(668,481)	
Aborted acquisition costs		(190,357)		-	
Purchase of tangible fixed assets		(1,868,151)		(238,207)	
Proceeds on disposal of tangible fixed assets		59,374		41,911	
Net cash used in investing activities			(1,999,134)		(864,777)
Financing activities					
Proceeds of share issue		630,000		-	
Costs of share issue		(81,321)		-	
Pre inception loan finance		984,806		-	
Proceeds of new bank loans		-		300,000	
Proceeds of new finance lease		85,500		-	
Repayment of bank loans		(284,151)		(184,160)	
Payment of finance leases obligations		(60,009)		(105,507)	
Interest paid		(228,252)		(230,258)	
Interest element of hire purchase		(1,997)		(10,495)	
Net cash generated from/(used in) financing activities			1,044,576		(230,420)
Net increase/(decrease) in cash and cash equivalents			416,654		(110,711)
Cash and cash equivalents at beginning of year			<u>(1,945,070)</u>		<u>(1,834,359)</u>
Cash and cash equivalents at end of year			<u>(1,528,416)</u>		<u>(1,945,070)</u>
Relating to:					
Cash at bank and in hand			114,674		19,606
Bank overdrafts included in creditors payable within one year			<u>(1,643,690)</u>		<u>(1,964,676)</u>

THE BLACK SHEEP BREWERY PLC

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

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 subsidiaries details of which are set out in note 14.

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 subsidiaries. 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 2020. 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)

AS AT 31 MARCH 2020

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.

Going concern

The group recorded a loss before tax of £1,769,841, reported a net asset position of £4,386,064 and had net current liabilities of £3,079,631. The Chairman's statement and CEO's report set out in more detail the result for the year to 31 March 2020 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 12 months from the date of signing which show that the group is able to meet its obligations as they fall due following receipt of a Coronavirus Business Interruption Loan from its principal lender. The directors also note that the net current liabilities include £984,806 of loan finance that is due to convert into lease finance during the 2020/21 financial year. The directors consider that there are risks within the brewing sector and wider economy as a consequence of the Covid-19 virus that may cause trading to deteriorate due to circumstances beyond the Directors' control. After due consideration of the forecasts and after considering appropriate sensitivities, the Directors consider that the group will be able to continue to trade and to meet its debts as they fall due. In their assessment the directors considered the likely volume of sales to both on trade and off trade customers once pubs reopened (including the impact of an additional 10% reduction in on trade volumes and 20% to 25% reductions in volumes to specific sales channels and customers) and the funding required to fund losses and capital and interest repayments in the period following reopening. The directors have assumed that there will not be a second national lockdown and that local lockdowns will not fundamentally impact on any area of the business.

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, net of discounts and rebates, exclusive of Value Added Tax but inclusive of beer duty. Revenue is recognised when control and ownership of the product passes to the customer. Turnover is recognised at the point of delivery of goods for brewery customers and point of sale for retail customers.

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 10.

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. Direct internal costs incurred on major projects are included in the value of assets along with capitalised interest where appropriate.

THE BLACK SHEEP BREWERY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 MARCH 2020

1 Accounting policies (Continued)

Tangible fixed assets (Continued)

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives once they are brought into use 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

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.

THE BLACK SHEEP BREWERY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 MARCH 2020

1 Accounting policies (Continued)

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.

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 recognised 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)

AS AT 31 MARCH 2020

1 Accounting policies (Continued)

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, accruals, 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.

THE BLACK SHEEP BREWERY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 MARCH 2020

1 Accounting policies (Continued)

Employee benefits

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

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)
AS AT 31 MARCH 2020

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.

Exceptional costs

The directors have classified certain costs as exceptional taking into account the non-recurring nature of these costs. The impact on the accounts is demonstrated by adding these costs back to show an adjusted operating loss for the year.

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:

Assessment of asset carrying values

The impact of government action on the hospitality industry since mid-March has been considered by the directors in preparing these accounts. The directors have carefully considered whether the Group's assets are carried at appropriate values. This included preparing detailed forecasts and assessing whether the carrying value of assets is supported by their value in use. Discounts rates applied in the calculations varied between 10% and 13% and applied long term growth rates of 2.5%. The directors have concluded that the forecasts, which take into account the levels of sales activity with supermarkets (which were particularly strong during lockdown) and with pubs (since 4 July 2020) support the values recognised in the accounts.

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.

3 Turnover and other revenue

Turnover is generated by the principal activities of the group as disclosed in the Directors' Report on page 7.

Group turnover included sales from brewed products of £16,703,798 (2019 - £17,943,553) and retail sales of £2,752,682 (2019 - £1,406,518).

THE BLACK SHEEP BREWERY PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS AT 31 MARCH 2020

4 Employees

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

	Group 2020 Number	2019 Number	Company 2020 Number	2019 Number
Production	25	27	25	27
Sales and distribution	30	35	30	35
Administration	19	22	19	22
Retail	71	60	-	36
	<u>145</u>	<u>144</u>	<u>74</u>	<u>120</u>

Their aggregate remuneration comprised:

	Group 2020 £	2019 £	Company 2020 £	2019 £
Wages and salaries	3,274,217	2,537,376	2,277,510	2,475,527
Social security costs	274,137	227,305	220,606	223,473
Pension costs	273,418	186,763	231,604	186,527
	<u>3,821,772</u>	<u>2,951,444</u>	<u>2,729,720</u>	<u>2,885,527</u>

5 Directors' remuneration

	2020 £	2019 £
Remuneration for qualifying services	270,191	322,621
Company pension contributions to defined contribution schemes	30,216	38,330
	<u>300,407</u>	<u>360,951</u>

The number of directors for whom retirement benefits accrued under defined contribution schemes amounted to 4 (2019 - 3).

Payments for compensation for loss of office of £99,450 were made during the year in respect of one director in addition to the amounts shown above.

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

	2020 £	2019 £
Remuneration for qualifying services	102,379	97,079
Company pension contributions to defined contribution schemes	14,229	14,090

THE BLACK SHEEP BREWERY PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS AT 31 MARCH 2020

6 Operating (loss)/profit	2020	2019
	£	£
a) Operating (loss)/profit for the year is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	633,127	608,874
Depreciation of tangible fixed assets held under finance leases	7,304	42,580
(Profit)/loss on disposal of tangible fixed assets	(10,657)	(40,450)
Amortisation of negative goodwill (note 10)	(4,337)	(81,546)
Cost of stocks recognised as an expense	5,700,218	6,149,032
Operating lease charges	348,657	167,469
"/	<u>2020</u>	<u>2019</u>
"/	£	£
b) Exceptional costs		
Redundancy and reorganisation costs	251,350	-
Exceptional legal costs	57,805	-
Bad debts and stock related Covid -19 expenses	329,020	-
Costs relating to aborted acquisition	190,357	-
Total exceptional costs	<u>828,532</u>	<u>-</u>
<p>Exceptional costs comprise costs of redundancies and reorganisation, including the costs relating to the closure of The York Brewery site. Exceptional legal costs relate to ongoing litigation to protect the use of the Black Sheep brand. Covid-19 expenses relate to bad debts and costs of stock write off, disposal and replacement resulting from the Pandemic. Aborted acquisition costs relate to a chain of retail properties which the Group sought to purchase during the year. Of the amount set out above £638,175 of the costs were incurred by the Company and £190,357 by its subsidiary BSB Retail Limited.</p>		
7 Auditor's remuneration	2020	2019
	£	£
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the financial statements of the group and company	35,000	20,000
Audit of the financial statements of the company's subsidiaries	5,000	5,000
	<u>40,000</u>	<u>25,000</u>
For other services		
Taxation compliance services	5,000	5,000
Other taxation services	1,000	1,000
All other non-audit services	4,200	7,700
	<u>10,200</u>	<u>13,700</u>

THE BLACK SHEEP BREWERY PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS AT 31 MARCH 2020

8 Interest payable and similar expenses	2020	2019
	£	£
Interest on bank overdrafts and loans	228,252	230,258
Interest on finance leases and hire purchase contracts	1,997	10,495
	<hr/>	<hr/>
Total finance costs	230,249	240,753
	<hr/>	<hr/>

THE BLACK SHEEP BREWERY PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS AT 31 MARCH 2020

9 Taxation

	2020	2019
	£	£
Current tax		
UK corporation tax charge on profits for the current period	-	41,967
Adjustments in respect of prior periods	(41,967)	-
	<u>(41,967)</u>	<u>41,967</u>
Deferred tax		
Origination and reversal of timing differences	68,562	(5,127)
Adjustment in respect of prior periods	-	231
	<u>68,562</u>	<u>(4,896)</u>
Total tax charge for the year	<u>26,595</u>	<u>37,071</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:

	2020	2019
	£	£
(Loss)/profit before taxation	<u>(1,769,841)</u>	<u>13,959</u>
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(336,270)	2,652
Tax effect of expenses that are not deductible in determining taxable profit	1,382	3,538
Effect of tax losses not recognised	268,089	-
Losses carried back	41,967	-
Adjustments in respect of prior years	(41,967)	-
Effect of change in corporation tax rate	59,857	(9,796)
Other non-reversing timing differences	-	98,800
Fixed asset timing differences	33,537	14,552
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
	<u>26,595</u>	<u>37,071</u>
Taxation charge for the year	<u>26,595</u>	<u>37,071</u>

Tax losses in the year have not been recognised as an asset due to uncertainty relating to the current economic climate.

THE BLACK SHEEP BREWERY PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS AT 31 MARCH 2020

10 Intangible fixed assets

Group	Negative goodwill
	£
Cost	
At 31 March 2019	(142,743)
Additions - business combinations	-
	<hr/>
At 31 March 2019 and 31 March 2020	(142,743)
	<hr/>
Amortisation and impairment	
At 31 March 2019	(81,546)
Amortisation charged for the year	(4,337)
	<hr/>
At 31 March 2020	(85,883)
	<hr/>
Carrying amount	
At 31 March 2020	(56,860)
	<hr/>
At 31 March 2019	(61,197)
	<hr/>

The company had no other intangible fixed assets at 31 March 2020 or 31 March 2019.

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

THE BLACK SHEEP BREWERY PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS AT 31 MARCH 2020

11 Acquisition in prior year

Acquisition of the trade and assets of The York Brewery Co.Ltd. This disclosure is given to provide additional information to assist with comparative information in other notes.

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 concluded that the acquisition represented a business combination which was 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)
	<u>528,075</u>	<u>283,149</u>	<u>811,224</u>
Total identifiable net assets			811,224
Negative goodwill			(142,743)
Total consideration			<u>668,481</u>

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

In the period from 2 December 2018 to 31 March 2019, the acquired business contributed £306,724 of turnover and £82,451 of profit to the Group result.

Negative goodwill

The negative goodwill arising on the 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 was released to profit and loss during the period in line with the collection of the trade and other debtors to which it related during the period to 31 March 2019. The remaining negative goodwill is being 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 their lease terms which were 13 to 15 years at the date of acquisition.

THE BLACK SHEEP BREWERY PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS AT 31 MARCH 2020

12 Tangible fixed assets

Group	Freehold property £	Leasehold property £	Plant & machinery £	Motor vehicles £	Total £
Cost					
At 1 April 2019	8,232,893	531,996	8,457,931	387,520	17,610,340
Additions	-	36,641	1,831,365	145	1,868,151
Disposals	-	-	(75,772)	-	(75,772)
At 31 March 2020	8,232,893	568,637	10,213,524	387,665	19,402,719
Depreciation and impairment					
At 1 April 2019	2,135,349	-	6,941,634	369,853	9,446,836
Depreciation charged in the year	158,137	40,874	433,031	8,389	640,431
Eliminated in respect of disposals	-	-	(27,055)	-	(27,055)
At 31 March 2020	2,293,486	40,874	7,347,610	378,242	10,060,212
Carrying amount					
At 31 March 2020	5,939,407	527,763	2,865,914	9,423	9,342,507
At 31 March 2019	6,097,544	531,996	1,516,297	17,667	8,163,504

THE BLACK SHEEP BREWERY PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS AT 31 MARCH 2020

12 Tangible fixed assets (Continued)

Company	Freehold property £	Plant & machinery £	Motor vehicles £	Total £
Cost				
At 1 April 2019	8,232,893	8,354,726	387,520	16,975,139
Additions	-	1,714,231	145	1,714,376
Disposals	-	(169,618)	-	(169,618)
At 31 March 2020	8,232,893	9,899,339	387,665	18,519,897
Depreciation and impairment				
At 1 April 2019	2,135,349	6,941,132	369,853	9,446,334
Depreciation charged in the year	158,137	381,038	8,389	547,564
Eliminated in respect of disposals	-	(21,407)	-	(21,407)
At 31 March 2020	2,293,486	7,300,763	378,242	9,972,491
Carrying amount				
At 31 March 2020	5,939,407	2,598,576	9,423	8,547,406
At 31 March 2019	6,097,544	1,413,594	17,667	7,528,805

Additions to plant & machinery for the group and company include £1,464,583 relating to assets in the course of construction. No depreciation will be charged until the assets are brought into use. This includes £18,237 of capitalised interest incurred directly in funding the packaging plant.

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

	Group 2020 £	2019 £	Company 2020 £	2019 £
Plant & machinery	81,808	273,315	81,808	273,315
Depreciation charge for the year in respect of leased assets	7,304	42,580	7,304	42,580

THE BLACK SHEEP BREWERY PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS AT 31 MARCH 2020

13 Fixed asset investments

	Notes	Group 2020 £	2019 £	Company 2020 £	2019 £
Investments in subsidiaries	14	-	-	100	100

Movements in fixed asset investments

Company	Shares in group undertakings	£
Cost		
At 1 April 2019		100
Additions		-
At 31 March 2020		100
Carrying amount		
At 31 March 2020		100
At 31 March 2019		100

14 Subsidiaries

Details of the company's subsidiaries at 31 March 2020 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	-
BSB Retail (Property) Limited	Wellgarth, Masham, Ripon, North Yorkshire, HG4 4EN	Dormant	Ordinary	-	100.00
The York Brewery Co.Ltd	Wellgarth, Masham, Ripon, North Yorkshire, HG4 4EN	Dormant	Ordinary	-	100.00

THE BLACK SHEEP BREWERY PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS AT 31 MARCH 2020

15 Stocks

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Raw materials and consumables	630,448	555,424	630,448	555,424
Finished goods and goods for resale	804,361	770,084	724,510	743,685
	<u>1,434,809</u>	<u>1,325,508</u>	<u>1,354,958</u>	<u>1,299,109</u>

THE BLACK SHEEP BREWERY PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS AT 31 MARCH 2020

16 Debtors

	Group 2020	2019	Company 2020	2019
Amounts falling due within one year:	£	£	£	£
Trade debtors	1,967,482	2,918,037	1,967,482	2,918,037
Amounts owed by group undertakings	-	-	1,051,700	375,322
Other debtors	-	218,462	-	186,563
Prepayments and accrued income	397,012	247,844	226,685	181,457
	<u>2,364,494</u>	<u>3,384,343</u>	<u>3,245,867</u>	<u>3,661,379</u>

17 Creditors: amounts falling due within one year

	Notes	Group 2020	2019	Company 2020	2019
		£	£	£	£
Bank loans and overdrafts	19	2,871,806	2,261,328	2,871,806	2,261,328
Obligations under finance leases	20	17,047	48,596	17,047	48,596
Trade creditors		2,356,365	2,059,540	1,982,471	1,952,727
Corporation tax payable		-	41,967	-	30,467
Other taxation and social security		1,226,382	633,890	1,189,409	611,231
Other creditors		18,612	26,986	13,029	22,465
Accruals and deferred income		503,396	199,877	480,755	187,533
		<u>6,993,608</u>	<u>5,272,184</u>	<u>6,554,517</u>	<u>5,114,347</u>

18 Creditors: amounts falling due after more than one year

	Notes	Group 2020	2019	Company 2020	2019
		£	£	£	£
Bank loans and overdrafts	19	1,185,569	1,416,978	1,185,569	1,416,978
Obligations under finance leases	20	57,040	-	57,040	-
		<u>1,242,609</u>	<u>1,416,978</u>	<u>1,242,609</u>	<u>1,416,978</u>

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

Payable by instalments	<u>732,264</u>	<u>826,704</u>	<u>732,264</u>	<u>826,704</u>
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THE BLACK SHEEP BREWERY PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS AT 31 MARCH 2020

19 Borrowings

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Bank loans	2,414,285	1,713,630	2,414,292	1,713,630
Bank overdrafts	1,643,090	1,964,676	1,643,090	1,964,676
	<u>4,057,375</u>	<u>3,678,306</u>	<u>4,057,382</u>	<u>3,678,306</u>
Payable within one year	2,871,806	2,261,328	2,871,806	2,261,328
Payable after one year	<u>1,185,569</u>	<u>1,416,978</u>	<u>1,185,576</u>	<u>1,416,978</u>

A pre-inception loan relating to the packaging line amounting to £984,806 is included in bank loans payable within one year. The lender holds a charge over this asset. On completion of the related assets the loan will convert to a finance lease facility. The asset is expected to be brought into use in stages from September 2020. The remaining 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, other than the pre-inception loan, are repayable in instalments over a period of up to twelve 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		Company	
	2020	2019	2020	2019
	£	£	£	£
Future minimum lease payments due under finance leases:				
Less than one year	17,047	48,596	17,047	48,596
Between one and five years	57,040	-	57,040	-
	<u>74,087</u>	<u>48,596</u>	<u>74,087</u>	<u>48,596</u>

Finance lease agreements are secured on the assets to which they relate.

THE BLACK SHEEP BREWERY PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS AT 31 MARCH 2020

21 Financial instruments

	Group 2020 £	2019 £	Company 2020 £	2019 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	2,117,719	3,136,499	n/a	n/a
Carrying amount of financial liabilities				
Measured at amortised cost	6,935,721	5,964,709	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

	2020 £	2019 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	273,418	186,763

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 £16,721 (2019 - £22,466) 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 2020 £	Liabilities 2019 £
Group		
Accelerated capital allowances	580,793	511,549
Short term timing differences	(3,450)	(2,768)
	<u>577,343</u>	<u>508,781</u>
	Liabilities 2020 £	Liabilities 2019 £
Company		
Accelerated capital allowances	454,795	416,302
Short term timing differences	(3,180)	(2,768)
	<u>451,615</u>	<u>413,534</u>

THE BLACK SHEEP BREWERY PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS AT 31 MARCH 2020

23 Deferred taxation (Continued)

	Group 2020	Company 2020
	£	£
Movements in the year:		
Liability at 1 April 2019	508,781	413,534
Charge to profit or loss	68,562	38,081
Other	-	-
	<hr/>	<hr/>
Liability at 31 March 2020	<u>577,343</u>	<u>451,615</u>

24 Share capital

	Group and company	
	2020	2019
	£	£
Ordinary share capital		
Authorised		
2,750,000 Ordinary shares of £1 each	<u>2,750,000</u>	<u>2,750,000</u>
Issued and fully paid		
Ordinary shares of £1 each at 31 March 2019	2,117,172	2,117,172
Issued during the year	<u>315,000</u>	<u>-</u>
Ordinary shares of £1 each at 31 March 2020	<u>2,432,172</u>	<u>2,117,172</u>

Ordinary share rights

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

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

Shareholders breakdown

Shares held at 31 March 2020:

	Number of shareholders	% holding in the company	
1 – 1,000	902	73	15
1,001 – 5,000	283	23	28
5,001 and above	54	4	57
Total	1,239	100	100

THE BLACK SHEEP BREWERY PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS AT 31 MARCH 2020

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. There are no SAYE share options in issue.

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

	Shares under option	2020 Weighted average exercise Price (£)	Shares under option	2019 Weighted average exercise Price (£)
Outstanding at beginning of year	47,804	3.63	50,648	3.58
Granted during the year	-	-	-	-
Forfeited during the year	(12,000)	3.99	(2,844)	2.53
Exercised during the year	-	-	-	-
Expired during the year	(8,000)	3.98	-	-
	<u>27,804</u>	<u>3.37</u>	<u>47,804</u>	<u>3.63</u>
Outstanding at the end of the year				
Exercisable at the end of the year	<u>16,000</u>	<u>3.99</u>	<u>36,000</u>	<u>3.99</u>

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)
AS AT 31 MARCH 2020

25 Share-based payments (Continued)

Outstanding options

The following options were outstanding under HMRC approved option schemes at 31 March 2020:

Ordinary shares	Price (£)	Date of exercise
EMI Scheme 4	3.68	July 2013 - June 2020
EMI Scheme 5	4.30	July 2014 - July 2021

Directors' share options

	At 1 April 2019	Forfeited/ expired	At 31 March 2020	Exercise price	Date from which exercisable	Expiry date
R J Theakston						
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 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, less amounts transferred to profit and loss reserves on forfeiture or expiry of options.

Profit and loss reserve

Cumulative profit and loss net of distributions to owners.

27 Loss per share

The group loss per share of 78.57p (2019 - loss of 1.09p) has been calculated on a loss of £1,796,436 (2019 loss - £23,112) and on a weighted average number of shares of 2,286,323 (2019 - 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. The commitment at 31 March 2020 amounted to £385,500 (2019 - £441,605) with an amount of £385,500 (2019 - £228,730) due within the next 12 months.

THE BLACK SHEEP BREWERY PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS AT 31 MARCH 2020

29 Operating lease commitments

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

Property leases

	Group 2020 £	2019 £	Company 2020 £	2019 £
Within one year	201,000	-	-	-
Between one and five years	816,000	-	-	-
After 5 years	1,025,000	-	-	-
	<u>2,042,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

Other

	Group 2020 £	2019 £	Company 2020 £	2019 £
Within one year	54,153	93,005	42,777	57,304
Between one and five years	5,687	13,667	-	13,667
	<u>59,840</u>	<u>106,672</u>	<u>42,777</u>	<u>70,971</u>

30 Capital commitments

Amounts contracted for but not provided in the financial statements:

	Group 2020 £	2019 £	Company 2020 £	2019 £
Acquisition of tangible fixed assets	711,934	188,432	711,934	188,432
	<u>711,934</u>	<u>188,432</u>	<u>711,934</u>	<u>188,432</u>

At 31 March 2020 the amounts contracted for relate to the packaging plant.

THE BLACK SHEEP BREWERY PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS AT 31 MARCH 2020

31 Cash generated from group operations

	2020	2019
	£	£
(Loss)/profit for the year after tax	(1,796,436)	(23,112)
Adjustments for:		
Taxation charged	26,595	37,071
Finance costs	230,249	240,753
Aborted acquisition costs	190,357	-
Gain on disposal of tangible fixed assets	(10,657)	(40,450)
Amortisation and impairment of intangible assets	(4,337)	(81,546)
Depreciation and impairment of tangible fixed assets	640,431	651,454
Movements in working capital:		
(Increase) in stocks	(109,301)	(74,564)
Decrease/(increase) in debtors	1,019,849	(432,162)
Increase in creditors	1,184,462	707,042
Cash generated from operations	1,371,212	984,486

THE BLACK SHEEP BREWERY PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS AT 31 MARCH 2020

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.

	2020	2019
	£	£
Aggregate compensation	516,123	495,923

Included in the key management personnel figure above are consultancy fees of £215,716 (2019 - £100,903) which were paid to directors.

Other related party transactions

During the year, the group paid £13,275 (2019 - £2,325) to entities in which a close family member of key management personnel is director of for consultancy services. At the reporting date, £Nil (2019 - £1,063) was owed to these entities.

33 Events after the reporting date

Following the impact on the business of the Coronavirus pandemic, the Company entered into a Coronavirus Business Interruption Loan with Close Brothers on 27 August 2020. The loan, which amounted to £3,125,000 is interest and repayment free for periods of 12 months and 6 months respectively. Subsequently the loan is repayable over a period of four and a half years with a balance to refinance at the end of the term of £1,002,800.