



BORN & BRED IN MASHAM, YORKSHIRE

Dear Shareholders,

As I write to you many pubs up and down the Country are filling their cellars ready to open their doors and pull their first pint of beer since they were forced to close in December 2020. This is huge step forward as the hospitality sector starts to reawaken for what we hope will be a hugely successful trading season.

In true Black Sheep style we are doing all we can to support licensees as they reopen their doors. We have decided not to put our prices up, in support of pubs reopening, because as a fully independent brewer we pride ourselves on our connection with our local community and we understand the real hardships faced by publicans and by consumers over the course of this pandemic.

Many believe that the reopening of pubs is the end of our sectors problems but we are completely in tune with the fact that in many cases this is only the beginning. Industry estimates articulate that pre covid trade will not return until 2022 and sadly it is believed that the market has lost 8,000 hospitality outlets over the last 12 months, with more to follow, and beer has definitely borne the brunt of the lockdown alcohol decline. We are well represented with various trade bodies and organisations to ensure our voice is heard.

As you would expect there is an awful lot going on at Black Sheep, from innovation to packaging, to brewing and selling and everything in between. Everyone at Black Sheep is thrilled that the long awaited packaging line is operational. In advance of the more formal end of year announcement, that will accompany the report and accounts, I am pleased to provide the following update.

Strategy:

We have made the time as a Board to look forward and have developed a clear strategic vision for FY21/22 and beyond. We are all hugely excited about our core areas of focus which are based on the continued expansion of our ecommerce business alongside investment in equipment and in innovation, and we will share more with you in due course. In addition, we have recruited staff for key roles in brewing operations, packaging, retail and ecommerce as we look to implement our strategy and trade out of the pandemic.

Trading

31 March 2021 was the end of our financial year. This has without question been the most difficult trading period in the Company's history.

On trade experienced trading ahead of our expectations between July and September, but the lockdowns and tier system meant that our sales, in line with the entire sector, were

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substantially reduced. For our own retail estate, we benefitted whilst pubs were open, from initiatives such as lower VAT and Eat Out to Help Out. However, we were not able to open two sites and the remaining three sites traded near to breakeven. As restrictions ease, our outlets are opening as and when they can, starting with The Black Sheep Tap and Kitchen on 12 April. We have used this time to carry out some much needed maintenance work and basic refurbishments across all sites, with more work still to be done.

Our off trade performance was well ahead of expectations and we are fortunate that our beers proved extremely popular with consumers, with our improvement largely in line with the overall market, at near Christmas levels for much of the year.

Our ecommerce business has sold beer, at Retail prices, of over £1.1 million since lockdown started and this contributed significantly to mitigate other losses incurred during the financial year.

Despite our many successes during the pandemic we have relied very heavily upon Furlough and Local Authority grants to continue to trade and fortunately were also successful in securing a £3.125 million CBILs loan from Close Brothers.

I am also delighted to say that we have completed the build of the packaging plant at our Fearby Road site. This is a very significant and positive outcome and we are now looking forward to fully commissioning the facility and producing beer in bottle and can for the consumer – direct from Masham. We are grateful to Lombard for their support in funding this project.

Despite our trading losses during the year and the costs of staff redundancies, all of which have been funded by our CBILs loan, we received some positive news at the very end of the financial year. On 31 March we concluded a long running Intellectual Property case and have been reimbursed for the legal costs we incurred. In addition shortly before the year end our insurance company agreed to make interim payments under our business interruption policy of just under £1.2 million. This does not compensate for the profit lost due to covid, but these are very important developments for the business and we hope that our recovery will be swifter as a result.

People:

People are at the very heart of everything we do and it was a great disappointment that we let a number of staff go during the pandemic. In addition we continue to use the furlough system, but as pubs and restaurants are starting to reopen I am pleased to say that our staff are starting to filter back into the business across all areas.

I would like to take this opportunity, on behalf of myself and fellow Directors, to thank our incredible team for everything they have done and continue to do, to support Black Sheep. This financial year has required an enormous team effort and absolutely everyone has given their all. The outputs over the past 15 months, the commitment, the energy and the dedication has not gone unnoticed. Thank you.

Finally, I would like to thank you, our Shareholders, for your ongoing support. Please continue to take advantage of the discount code for online purchases and I hope you all enjoy frequenting your local pubs in the coming days and weeks.

Charlene Lyons
Chief Executive

14th April 2021