



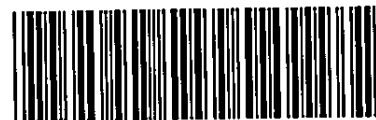
The Black Sheep Brewery plc

Directors' Report and Financial Statements

for the Year Ended 31 March 2008

Registration number 02686985

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Company Information

Directors	Anthony Robinson (Non-Executive Chairman) Paul Theakston (Managing Director) Paul Ambler Stephen Constable John Lindop (Non-Executive) John Theakston (Non-Executive)
Company Secretary	Stephen Constable
Registered office	Wellgarth Masham Ripon North Yorkshire HG4 4EN
Registration number	2686985
Auditors	RSM Bentley Jennison Chartered Accountants & Registered Auditors 2 Wellington Place Leeds LS1 4AP
Bankers	HSBC Bank Plc Park Square Masham Ripon HG4 4HG
Solicitors	Eversheds LLP Cloth Hall Court Infirmary Street Leeds LS1 2JB
Stockbrokers and Registrars	Brewin Dolphin Securities Limited PO Box 512 36 St Ann Street Manchester M60 2EP

Chairman's Statement

Welcome to The Black Sheep Brewery's annual report and accounts. After sixteen years we continue to be a "brewer for sale" distributing our beers nationally in the on and off trade. It is pleasing to report that progress has again been made both in volume and profit.

Each year presents new challenges and this one has not disappointed. Rising raw material and commodity prices, increased duty, and health and social concerns are but a few. Added to these are the recent gloomy economic forecasts from the Bank of England and various financial institutions. But let us take a little cheer from Benjamin Franklin who mused that "beer is proof that God loves us and wants us to be happy".

We feel we are well placed to face the undoubted challenges before us. The strength of our brand, underpinned by our concern for quality and service, is well established. This has seen us well represented in supermarkets and pub groups nationwide in growing volumes. Nonetheless, we are cautious about current trading, given the present difficult economic climate.

Our challenge is, as ever, to defend margins and profitably. The quest for increased productivity and efficiency goes on relentlessly. Continuing reorganisation of our sales and marketing approach to the key areas of the business is an example.

Recent investment in plant and equipment is well on stream. We are quickly filling the new capacity and are actively seeking ways to meet future growth. Investment in energy saving and effluent treatment continues.

Despite the national gloom, we are working hard to take the business forward. The share price remains at £7 and there are few sellers.

We want our shareholders to continue to benefit from our confidence and progress and therefore propose to increase the dividend to 10.5p per share.

Paul Theakston's second son Jonathan has recently joined the business, and will take responsibility for national off trade sales when Ken Allen takes well earned retirement in January 2009. Jonathan has worked the last three years at Wells and Youngs of Bedford, latterly as a National Account Manager, where he has gained excellent sales and marketing experience.

Once again I would like to express my thanks to all our staff for their diligence, spirit and flexibility.

Finally, we hope for the usual high attendance at the AGM, where you will be warmly welcomed.

Anthony Robinson

Chairman

24 July 2008

Report of the Directors

The directors present their report and the audited accounts for the year ended 31 March 2008

Principal activity

The principal activity of the company is brewing for sale

Review of the business

The market place in which we traded this year continued to exhibit all the traits which have become familiar in recent years, with a continued consolidation in the numbers of reasonably sized cask beer producing brewers. It was particularly noticeable that Marstons and Greene King were active in acquiring regional cask brewers to add good cask brands to their existing portfolio of products.

All sectors of our trade became increasingly under margin pressure during the year, in the local on trade as licensees fought to sustain a living in poor trading conditions, in the national pub company trade where size and buying power is everything, and in the national off trade where suppliers get caught up in the inter-ecine price comparison warfare which seems to be the thing for the major supermarkets.

We have responded to these realities of life by continuing to push for profitable business, by becoming increasingly selective in where we sell our beers to weed out unprofitable areas, and by constantly looking at the costs of running each part of the business. This is very much work in progress, which of course flows through to the current year.

At the same time, we recognize the vital importance of keeping our beers of the highest quality and the need constantly to strengthen the service to our customers and develop our beer brands.

The key performance indicators for the year are that turnover increased to £17,531,177 from £15,570,481 in 2007, operating profit increased to £1,010,837 from £931,992 and profit before tax increased to £715,257 from £626,116.

Those of you who choose to deploy a calculator will see that the numbers reflect a solid rise in turnover derived principally from our barrelage increasing, our gross profit percentage reducing slightly reflecting tightening market conditions, our operating costs being well contained, and our profit before tax advancing by 14.2%.

Dividends

A final ordinary dividend of £188,311 in respect of the year ended 31 March 2007 was paid during the year.

The directors propose a final ordinary dividend of £202,150 in respect of the year ended 31 March 2008.

Payment policy

The Company agrees terms and conditions which include payment details with its suppliers. Payment is made in accordance with those terms and conditions, provided the supplier has also complied with them.

	2008	2007
Average number of days trade creditors as at 31 March	39	35

Report of the Directors

Shareholders

Shares held as at 19 June 2008	Number of shareholders	%	% holding in the company
1 - 1,100	814	71	19
1,001 - 3,000	228	20	23
3,001 - 5,000	53	5	11
5,001 and above	46	4	47
	<u>1,141</u>	<u>100</u>	<u>100</u>

Employee savings related share option scheme

Shortly after the year end the Board established a thirteenth Inland Revenue approved SAYE scheme for 50,976 Ordinary shares which has been taken up by 57 employees. Options have been granted at a share price of £3.14 exercisable at the end of 3 years.

Note 19 includes a summary of all outstanding options.

Directors

The present directors of the Company are set out on page 1.

The directors in the year under review and their interests in the shares of the company at 31 March were as follows:

	Ordinary shares of £1 each	
	31 March 2008	1 April 2007
Anthony Robinson (Non-Executive Chairman)	20,166	16,894
Paul Theakston (Managing Director)	140,230	140,136
Paul Ambler	28,697	27,716
Stephen Constable	12,000	3,000
John Lindop (Non-Executive)	5,000	5,000
John Theakston (Non-Executive)	39,496	39,496

Directors' share options are shown in Note 19 to the financial statements.

Statement of corporate governance

The Board, which comprises Paul Theakston, two executive directors and three non-executive directors, meets monthly. A member of senior management also attends meetings. The Board has a formal schedule of matters specifically referred to it for decision and the Board retains full and effective control of the Company, determining strategic policies and objectives and monitoring achievement of those objectives and compliance with policies. The non-executive directors bring an independent judgement to bear on issues of strategy, performance, resources and standard of conduct.

Report of the Directors

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Directors are required by company law to prepare financial statements which give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for the period ending on that date. In preparing those financial statements, directors are required to

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of

Auditors

The auditors, RSM Bentley Jennison, will be proposed for re-appointment in accordance with section 385 of the Companies Act 1985

Approved by the Board on 24 July 2008 and signed on its behalf by



Stephen Constable

Company Secretary

Report of the Independent Auditors' to the Shareholders of The Black Sheep Brewery plc

We have audited the financial statements of The Black Sheep Brewery plc for the year ended 31 March 2008 set out on pages 8 to 23. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our 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 auditors' 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.

Respective responsibilities of directors and auditors

As described in the statement of Directors' responsibilities on page 5, the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Report of the Independent Auditors' to the Shareholders of
The Black Sheep Brewery plc**

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.


RSM Bentley Jennison

2 Wellington Place
Leeds LS1 4AP

Chartered Accountants & Registered Auditors

24 July 2008

Profit and Loss Account for the Year Ended 31 March 2008

	Note	2008 £	2007 £
Turnover		17,531,177	15,570,481
Cost of sales		(11,785,024)	(10,400,330)
Gross profit		<u>5,746,153</u>	<u>5,170,151</u>
Distribution costs		(3,211,987)	(2,826,362)
Administrative expenses		(1,466,378)	(1,376,950)
Operating profit before share-based payments		<u>1,067,788</u>	<u>966,839</u>
Share-based payments charge	9	(56,951)	(34,847)
Operating profit	2	<u>1,010,837</u>	<u>931,992</u>
Other interest receivable and similar income	3	6,297	514
Interest payable	4	(301,877)	(306,390)
Profit on ordinary activities before taxation		<u>715,257</u>	<u>626,116</u>
Tax on profit on ordinary activities	7	(244,427)	105,344
Profit for the financial year	20	<u><u>470,830</u></u>	<u><u>731,460</u></u>

Continuing operations

None of the Company's activities were acquired or discontinued during the current or previous year

The company has no recognised gains or losses for the year other than the results above

The notes on pages 11 to 23 form an integral part of these financial statements

Balance Sheet as at 31 March 2008

		2008	2007
	Note	£	£
Fixed assets			
Tangible assets	10	9,868,175	9,813,540
Current assets			
Stocks	11	875,370	730,476
Debtors	12	2,718,652	2,229,873
Cash at bank and in hand		<u>2,565</u>	<u>2,465</u>
		3,596,587	2,962,814
Creditors: Amounts falling due within one year			
Trade creditors		1,262,793	1,000,938
Other creditors	13	<u>2,228,310</u>	<u>2,164,271</u>
		(3,491,103)	(3,165,209)
Net current assets/(liabilities)		<u>105,484</u>	<u>(202,395)</u>
Total assets less current liabilities		9,973,659	9,611,145
Creditors: Amounts falling due after more than one year	14	(3,012,601)	(3,394,976)
Provisions for liabilities	16	<u>(884,244)</u>	<u>(639,156)</u>
Net assets		<u>6,076,814</u>	<u>5,577,013</u>
Capital			
Called up share capital	19	1,897,110	1,842,023
Reserves			
Share premium account	20	717,327	612,083
Share-based payment	20	116,310	59,359
Profit and loss account	20	<u>3,346,067</u>	<u>3,063,548</u>
Equity shareholders' funds	21	<u>6,076,814</u>	<u>5,577,013</u>

Approved by the Board on 24 July 2008 and signed on its behalf by



Paul Theakston

Director

The notes on pages 11 to 23 form an integral part of these financial statements

Cash Flow Statement for the Year Ended 31 March 2008

		2008	2007
	Note	£	£
Net cash flow from operating activities	17	1,681,763	1,179,702
Returns on investment and servicing of finance			
Interest paid		(190,468)	(230,726)
Interest element of hire purchase payments		(111,409)	(75,664)
Interest received		6,297	514
		<u>(295,580)</u>	<u>(305,876)</u>
Corporation tax paid		839	-
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(498,733)	(241,464)
Receipts from sales of tangible fixed assets		115,619	160,900
		<u>(383,114)</u>	<u>(80,564)</u>
Equity dividends paid			
Equity dividends paid		(188,311)	(168,930)
		<u>(188,311)</u>	<u>(168,930)</u>
Cash inflow before management of liquid resources and financing		815,597	624,332
Financing			
Transfer from loans to hire purchase		-	(935,000)
Increase in loans and borrowings		-	520,000
Repayment of loans and borrowings		(604,432)	(24,119)
Exercise of share options		160,331	161,494
Capital element of hire purchase payments		(475,484)	(377,855)
		<u>(919,585)</u>	<u>(655,480)</u>
Decrease in cash		<u>(103,988)</u>	<u>(31,148)</u>

Reconciliation of net cash flow to movement in net debt

		2008	2007
	Note	£	£
Decrease in cash in the year	18	(103,988)	(31,148)
Cash outflow from decrease in debt and lease financing		1,079,916	816,974
Change in net debt resulting from cash flows		<u>975,928</u>	<u>785,826</u>
New hire purchase agreements		(425,596)	(1,424,566)
Movement in net funds/(debt) in the year		550,332	(638,740)
Net debt at the start of the year	18	<u>(4,567,409)</u>	<u>(3,928,669)</u>
Net debt at the end of the year	18	<u>(4,017,077)</u>	<u>(4,567,409)</u>

Notes to the accounts for the Year Ended 31 March 2008

1 ACCOUNTING POLICIES

The following paragraphs summarise the more important accounting policies applied in the preparation of the Company's accounts

Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards

Turnover

Turnover represents sales of goods and services exclusive of Value Added Tax but inclusive of beer duty

Depreciation

Depreciation is provided on the cost of fixed assets including those capitalised under finance lease and hire purchase agreements to write down from the month they come into use on a straight line basis, to their estimated residual value over their anticipated useful lives as follows:

Land and buildings	50 years
Office equipment	4 years
Motor vehicles	4 to 5 years
Plant and equipment	3 to 15 years

Stock and work in progress

Stock and work in progress are stated at the lower of cost and net realisable value

In establishing cost, stock and work in progress at the end of the period are taken to represent latest purchases or production. On this basis cost comprised

Raw materials	Purchase price
Work in progress and finished goods	Raw materials, direct labour and attributable production overheads

Grants

Grants in respect of fixed assets are credited to the profit and loss account in equal annual instalments over the useful lives of the assets concerned. Revenue grants are credited to the profit and loss account as expenditure is incurred.

Deferred taxation

Deferred tax is recognised on a full provision basis on all timing differences which have originated, but not reversed, at the balance sheet date. Timing differences represent accumulated differences between the Company's taxable profit and its financial profit and arise from the difference between accelerated capital allowances and depreciation.

Pensions

The company operates a money purchase scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

Notes to the accounts for the Year Ended 31 March 2008

Leased assets

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term

Hire purchase

Where assets are financed by hire purchase agreements the assets are included in the balance sheet at cost less depreciation in accordance with the Company's normal accounting policies. The interest element of repayments is charged to the profit and loss account in proportion to the balance of capital repayments outstanding.

Share based payments

The company has adopted Financial Reporting Standard 20 (FRS 20), "Share based payments". This expense, which is calculated by reference to the fair value of the options granted, measured at grant date, is recognised on a straight line basis over the performance period based on the company's estimate of options that will eventually vest. The charge is then credited back to reserves. This Standard has no effect on the company's cash flow or net assets.

2 Operating profit before share-based payments

Operating profit before share-based payments is stated after charging:

	2008 £	2007 £
Depreciation	786,394	773,571
Auditor's remuneration	18,485	21,000
Operating lease rentals	12,980	-
- plant and machinery		
- other	58,875	62,909
	<u>58,875</u>	<u>62,909</u>

Auditors' remuneration

	2008 £	2007 £
Fees payable to the company's auditor for the audit of the company's annual accounts	9,250	9,000
Fees payable to the company's auditor for other services		
Taxation	9,235	12,000
	<u>18,485</u>	<u>21,000</u>

3 Interest receivable

	2008 £	2007 £
Bank interest	1,838	514
Other interest	4,459	-
	<u>6,297</u>	<u>514</u>

Notes to the accounts for the Year Ended 31 March 2008

4 Interest payable

	2008 £	2007 £
Bank interest	190,468	230,726
Hire purchase	111,409	75,664
	<u>301,877</u>	<u>306,390</u>

5 Employees

The number of full and part time staff (including directors) employed by the Company during the year

	2008 No.	2007 No.
Production	19	18
Sales and distribution	36	37
Administration	13	13
Visitor centre	36	39
	<u>104</u>	<u>107</u>

Cost in respect of these employees

	2008 £	2007 £
Wages and salaries	2,199,881	2,043,008
Social security costs	226,908	210,545
Other pension costs	180,685	161,340
	<u>2,607,474</u>	<u>2,414,893</u>

Notes to the accounts for the Year Ended 31 March 2008

6 Directors' emoluments

The directors' emoluments for the year are as follows

	2008 £	2007 £
Emoluments	317,505	285,116
Directors' pension contributions	40,622	31,372
	<u>358,127</u>	<u>316,488</u>

The amounts in respect of the highest paid director are as follows

	2008 £	2007 £
Emoluments	126,165	117,761
Contributions to money purchase pension scheme	14,578	14,018
	<u>140,743</u>	<u>131,779</u>

During the year the number of directors who were accruing benefits under company pension schemes was as follows

	2008 No.	2007 No.
Money purchase	<u>3</u>	<u>3</u>

Notes to the accounts for the Year Ended 31 March 2008

7 Tax on profit on ordinary activities

Analysis of current period tax charge/(credit)

	2008 £	2007 £
Current tax		
Corporation tax charge	276	98
(Over)/under provision in previous year	<u>(937)</u>	<u>(33,496)</u>
UK Corporation tax	<u>(661)</u>	<u>(33,398)</u>
 Deferred tax		
Origination and reversal of timing differences	355,921	(145,059)
Deferred tax adjustment relating to previous years	<u>(110,833)</u>	<u>73,113</u>
Total deferred tax	<u>245,088</u>	<u>(71,946)</u>
 Total tax on profit on ordinary activities	<u><u>244,427</u></u>	<u><u>(105,344)</u></u>

Factors affecting current period tax credit

The tax assessed on the profit on ordinary activities for the year is lower than (2007 - lower than) the standard rate of corporation tax in the UK of 28.00% (2007 - 19.00%)

The differences are reconciled below

	2008 £	2007 £
Profit on ordinary activities before taxation	<u>715,257</u>	<u>626,116</u>
Standard rate corporation tax charge	200,272	118,962
Expenses not deductible for tax purposes	(23,759)	17,002
Depreciation in excess of accelerated capital allowances	(118,830)	(96,859)
Other short-term timing differences	882	22
Share-based payments	-	6,621
Utilisation of tax losses and other deductions	(58,289)	(45,650)
Adjustments in respect of prior years	<u>(937)</u>	<u>(33,496)</u>
Total current tax for the year	<u><u>(661)</u></u>	<u><u>(33,398)</u></u>

Notes to the accounts for the Year Ended 31 March 2008

8 Dividends

	2008 £	2007 £
Equity dividends		
Ordinary dividends paid of 10 0p	<u>188,311</u>	<u>168,930</u>
	2008 £	2007 £
Proposed final dividend of 10 5p	<u>202,150</u>	<u>188,311</u>

The proposed final dividend is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in these financial statements

9 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 as described in note 19. Options are exercisable at a price determined on the date grant and the vesting period is three years. Options are forfeited if the employee leaves the company before the options vest.

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

	2008		2007	
	Shares under option	Weighted average exercise price	Shares under option	Weighted average exercise price
Outstanding at beginning of year	212,054	£3 54	242,430	£3 34
Granted during the year	55,384	£4 50	42,985	£4 00
Forfeited during the period	(2,827)	£4 42	(10,216)	£3 95
Exercised during the year	(55,087)	£3 45	(63,145)	£3 04
Outstanding at the end of the year	<u>209,524</u>	£3 80	<u>212,054</u>	£3 54
Exercisable at the end of the year	<u>86,801</u>	£3 12	<u>100,801</u>	£3 11

The weighted average share price at the date of exercise for share options exercised during the year was £6.25. The options outstanding at 31 March 2008 had a weighted average exercise price of £3.68, and a weighted average remaining contractual life of 2.78 years.

Included within this balance are options over 33,000 shares (2007 - 47,000 shares) that have not been recognised in accordance with FRS 20 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with FRS 20.

Notes to the accounts for the Year Ended 31 March 2008

10 Tangible fixed assets

	Freehold land and buildings £	Plant and equipment £	Motor vehicles £	Total £
Cost				
As at 1 April 2007	5,975,491	6,366,473	909,812	13,251,776
Additions	47,030	554,110	323,189	924,329
Disposals	-	(11,796)	(272,328)	(284,124)
As at 31 March 2008	<u>6,022,521</u>	<u>6,908,787</u>	<u>960,673</u>	<u>13,891,981</u>
Depreciation				
As at 1 April 2007	463,193	2,534,989	440,054	3,438,236
Released on disposal	-	(3,406)	(197,418)	(200,824)
Charge for the year	119,996	480,638	185,760	786,394
As at 31 March 2008	<u>583,189</u>	<u>3,012,221</u>	<u>428,396</u>	<u>4,023,806</u>
Net book value				
As at 31 March 2008	<u>5,439,332</u>	<u>3,896,566</u>	<u>532,277</u>	<u>9,868,175</u>
As at 31 March 2007	<u>5,512,298</u>	<u>3,831,484</u>	<u>469,758</u>	<u>9,813,540</u>

Hire purchase agreements

Included within the total net book value of tangible fixed assets is £2,423,076 (2007 - £2,290,581) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £256,878 (2007 - £228,968).

11 Stocks

	2008 £	2007 £
Raw materials and consumables	301,941	229,082
Finished goods and goods for resale	<u>573,429</u>	<u>501,394</u>
	<u>875,370</u>	<u>730,476</u>

12 Debtors

	2008 £	2007 £
Trade debtors	2,478,609	1,994,528
Other debtors	84,309	141,980
Prepayments	<u>155,734</u>	<u>93,365</u>
	<u>2,718,652</u>	<u>2,229,873</u>

Notes to the accounts for the Year Ended 31 March 2008

13 Other creditors: Amounts falling due within one year

	2008 £	2007 £
Bank loans and overdrafts	606,780	817,692
Obligations under finance leases and hire purchase contracts	438,420	396,386
Corporation tax	276	98
Social security and other taxes	1,009,249	833,509
Other creditors	7,894	8,945
Accruals and deferred income	165,691	107,641
	<u>2,228,310</u>	<u>2,164,271</u>

14 Creditors: Amounts falling due after more than one year

	2008 £	2007 £
Bank loans and overdrafts	1,947,021	2,236,453
Obligations under finance leases and hire purchase contracts	1,027,421	1,119,343
Accruals and deferred income	38,159	39,180
	<u>3,012,601</u>	<u>3,394,976</u>

15 Analysis of borrowings

Amounts repayable:

	Bank loans & overdrafts	Obligations under hire purchase contracts	Total
	£	£	£
As at 31 March 2008			
In one year or less on demand	606,780	438,420	1,045,200
Between one and two years	289,428	354,451	643,879
Between two and five years	868,284	599,061	1,467,345
After more than five years	789,309	73,909	863,218
	<u>2,553,801</u>	<u>1,465,841</u>	<u>4,019,642</u>
As at 31 March 2007			
In one year or less on demand	817,692	396,386	1,214,078
Between one and two years	289,428	301,522	590,950
Between two and five years	868,284	571,666	1,439,950
After more than five years	1,078,741	246,155	1,324,896
	<u>3,054,145</u>	<u>1,515,729</u>	<u>4,569,874</u>

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

Notes to the accounts for the Year Ended 31 March 2008

The bank facilities are secured by a mortgage over the Freehold Property and Freehold land of the company, a debenture including fixed charge over all present freehold and leasehold property and a fixed and floating charge over the Company's assets

16 Provisions for liabilities and charges

	Deferred taxation £
As at 1 April 2007	639,156
Charge for the year	245,088
As at 31 March 2008	<u>884,244</u>

Deferred tax

Deferred tax is provided at 28.00% (2007 - 19.00%)

	2008 £	2007 £
Accelerated capital allowances	1,049,314	646,437
Short-term timing differences	(5,009)	(2,800)
Tax losses carried forward and other deductions	(160,061)	(4,481)
	<u>884,244</u>	<u>639,156</u>

Notes to the accounts for the Year Ended 31 March 2008

17 Net cash inflow from operating activities

	2008 £	2007 £
Operating profit	1,010,837	931,992
Depreciation	786,394	773,571
Profit on disposal of fixed assets	(32,319)	(18,498)
Increase in stocks	(144,894)	(143,144)
Increase in debtors	(488,779)	(128,602)
Increase/(decrease) in creditors	493,573	(270,464)
FRS 20 Share-based payments	56,951	34,847
Net cash inflow from operating activities	<u>1,681,763</u>	<u>1,179,702</u>

18 Analysis of net debt

	At start of period £	Cash flow £	Other non-cash changes £	At end of period £
Cash at bank and in hand	2,465	100	-	2,565
Bank overdraft	(213,264)	(104,088)	-	(317,352)
Cash and bank net debt	<u>(210,799)</u>	<u>(103,988)</u>	-	<u>(314,787)</u>
 Bank loan	 (2,840,881)	 604,432	 -	 (2,236,449)
Hire purchase	(1,515,729)	475,484	(425,596)	(1,465,841)
Change in debt	<u>(4,356,610)</u>	<u>1,079,916</u>	<u>(425,596)</u>	<u>(3,702,290)</u>
 Net debt	 <u>(4,567,409)</u>	 <u>975,928</u>	 <u>(425,596)</u>	 <u>(4,017,077)</u>

19 Share capital

	2008 £	2007 £
Authorised		
2,250,000 Ordinary shares of £1 each	<u>2,250,000</u>	<u>2,250,000</u>
Allotted, called up and fully paid		
Ordinary shares of £1 each	<u>1,897,110</u>	<u>1,842,023</u>
During the year 55,087 £1 Ordinary shares were issued on the exercise of share options		

Notes to the accounts for the Year Ended 31 March 2008

Directors' share options

	At 1 April 2007	Granted	Exercised/ Lapsed	At 31 March 2008	Exercise price	Market price at date of exercise	Date from which exercisable	Expiry date
P F Theakston								
SAYE Scheme 9	785	-	(785)	-	2 88	6 00		06/07
SAYE Scheme 10	1,101	-	-	1,101	3 44			06/08
SAYE Scheme 11	1,051	-	-	1,051	3 20			07/09
SAYE Scheme 12	-	630	-	630	3 60			07/10
EMI Scheme 1	23,000	-	-	23,000	3 00		05/05	05/12
EMI Scheme 2	5,750	-	-	5,750	3 22		11/06	11/13
P M J Ambler								
SAYE Scheme 9	981	-	(981)	-	2 88	6 00		06/07
SAYE Scheme 11	1,168	-	-	1,168	3 20			07/09
SAYE Scheme 12	-	1,575	-	1,575	3 60			07/10
EMI Scheme 2	15,326	-	-	15,326	3 22		11/06	11/13
S J Constable								
SAYE Scheme 9	1,963	-	(1,963)	-	2 88	6 00		06/07
SAYE Scheme 10	550	-	-	550	3.44			06/08
SAYE Scheme 11	584	-	-	584	3 20			07/09
SAYE Scheme 12	-	1,575	-	1,575	3 60			07/10
EMI Scheme 1	14,000	-	(14,000)	-	3 00	7 00	05/05	05/12
EMI Scheme 2	15,090	-	-	15,090	3 22		11/06	11/13
A J Robinson								
SAYE Scheme 9	3,272	-	(3,272)	-	2 88	6 00		06/07
SAYE Scheme 12	-	2,625	-	2,625	3 60			07/10
J A Theakston								
SAYE Scheme 11	2,921	-	-	2,921	3 20			07/09

The market price of the shares at 31 March 2008 was £7 00 (2007 - £6 00)

The following options were outstanding at 31 March 2008

	Ordinary shares	Price £	Date of exercise
SAYE Scheme 10	28,129	3 44	June 2008
SAYE Scheme 11	41,467	3.20	July 2009
SAYE Scheme 12	53,127	3 60	July 2010
EMI Scheme 1	33,000	3 00	May 2005 - May 2012
EMI Scheme 2	53,801	3 22	November 2006 - November 2013

The SAYE and EMI schemes are Inland Revenue approved

Notes to the accounts for the Year Ended 31 March 2008

20 Reserves

	Share premium account £	Share-based payment £	Profit and loss account £	Total £
Balance at 1 April 2007	612,083	59,359	3,063,548	3,734,990
Premium on exercise of share options	105,244	-	-	105,244
Share-based payment charge	-	56,951	-	56,951
Retained profit for the year	-	-	470,830	470,830
Dividends	-	-	(188,311)	(188,311)
Balance at 31 March 2008	<u>717,327</u>	<u>116,310</u>	<u>3,346,067</u>	<u>4,179,704</u>

21 Reconciliation of movements in equity shareholders' funds

	2008 £	2007 £
Profit attributable to members of the company	470,830	731,460
Dividends	<u>(188,311)</u>	<u>(168,930)</u>
	282,519	562,530
FRS 20 Share-based payments	56,951	34,847
New share capital subscribed	<u>160,331</u>	<u>161,494</u>
Net addition to shareholders' funds	499,801	758,871
Opening equity shareholders' funds	5,577,013	4,818,142
Closing equity shareholders' funds	<u>6,076,814</u>	<u>5,577,013</u>

22 Commitments and contingencies

As at 31 March 2008 the company had capital commitments as follows

	2008 £	2007 £
Contracted but not provided for in the accounts	<u>352,160</u>	<u>91,626</u>

Notes to the accounts for the Year Ended 31 March 2008

23 Operating lease commitments

As at 31 March 2008 the company had annual commitments under non-cancellable operating leases as follows

	Land and Buildings		Other	
	2008	2007	2008	2007
	£	£	£	£
Within one year	14,344	14,344	38,940	-
Within two and five years	-	-	142,780	-
	<u>14,344</u>	<u>14,344</u>	<u>181,720</u>	<u>-</u>

24 Earnings per share

The earnings per share of 25 1p (2007 - 40 1p) has been calculated on earnings of £470,830 (2007 - £731,460) and on a weighted average number of shares of 1,878,596 (2007 - 1,822,526)

25 Pension schemes

The company operates a money purchase scheme. The charge to the profit and loss account in the year was £180,685 (2007 - £161,340)

Contributions totalling £17,887 (2007 - £14,738) were payable to the scheme at the end of the period and are included in creditors

Notice of meeting

Notice is hereby given that the sixteenth Annual General Meeting of the Company will be held at Masham Town Hall, Masham, Ripon, HG4 4EN on Thursday, 2nd October 2008, at 2 30pm for the transaction of the following business,

- 1 To receive the report of the Directors and the audited accounts for the year ended 31st March 2008
- 2 To re-elect the following Director who retires by rotation in accordance with the Articles of Association and who is eligible for re-appointment

Paul Ambler
- 3 To re-appoint RSM Bentley Jennison as auditors and to authorise the Directors to determine their remuneration
- 4 To approve and declare the payment of a dividend of 10 5 pence per ordinary share, to the members whose names are entered in the register of members, as at close of business on 31st July 2008 This dividend will be paid within six weeks of the passing of this resolution
- 5 To approve the following Special Resolution. That,
 - i) The authorised share capital of the Company be increased from 2,250,000 Ordinary Shares of £1 each, to 2,750,000 Ordinary Shares of £1 each, by the creation of 500,000 Ordinary Shares of £1 each, such new Shares having the rights and being subject to the obligations as set out in the Articles of Association of the Company,
 - ii) For the purposes of Section 80 of the Companies Act 1985 the Directors be and hereby generally and unconditionally empowered to allot up to 500,000 Ordinary Shares of £1 00 each in the capital of the Company,
 - iii) To the extent the Directors are empowered to allot shares in the Company by paragraph (ii) of this Resolution they are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot or agree to allot shares comprised in the authorised share capital of the Company and the provisions of Sections 89 and 90 of the Companies Act 1985 shall not apply to any such allotment or agreement to allot, and
 - iv) The powers conferred on Directors by paragraph (ii) and (iii) of this Resolution shall expire five years after the date of the passing of this Resolution

It should be noted that, apart from any Shares that may be allotted from time to time under the Black Sheep Brewery Inland Revenue Approved Savings Related Share Option Scheme, the Directors have no present intention to allot Shares of the Company pursuant to this authority

By order of the Board

Stephen Constable

Company Secretary

24th July 2008

Notice of meeting

continued

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

**Annual General Meeting
Thursday 2nd October 2008 at 2.30pm
Domestic arrangements**

- Location:** This year our AGM will once again be held in Masham Town Hall. After the meeting, the customary hospitality will be extended to everybody in the Brewery Visitor Centre. The map below gives directions. The Town hall is only a five minute walk from the Brewery. A shuttle bus will be operating between the Town Hall and the Visitor Centre after the meeting.
- Parking:** As in previous years, parking will be available in Masham Market Square, on the riverside grass area below the Brewery, and on a first come, first served basis in the Visitor Centre car park.
- Lunch:** For those arriving early, the Visitor Centre Bistro will be open, where lunchtime drinks, meals or snacks can be purchased.
- Registration:** Registration for the meeting will open at 1.30pm. On registration, shareholders and their guests will be issued with a "pass", which will make freely available all beer, refreshments and light snacks for the afternoon after the Meeting. As the Visitor Centre will remain open to the general public during the afternoon, please be sure to show the pass to staff when ordering, to avoid being charged.
- The Meeting:** Because of space limitations in Masham Town Hall, we are again requesting that only shareholders themselves attend the actual Annual General Meeting.
- Tours:** After the meeting there will be periodic tours round the Brewery for any who have not seen it before, or for those who have, but would like to work up a thirst!
- Shop:** The shop will be open during the day. We are again offering shareholders a discount on beer purchases on the day - please remember to show that pass at the time. Transport will be available to help with bulk purchases of beer.

We look forward to welcoming you on the day