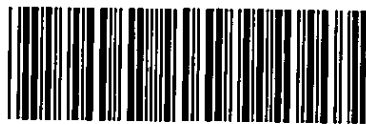


THE BLACK SHEEP BREWERY PLC
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011

Company Registration Number 02686985

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THE BLACK SHEEP BREWERY PLC
FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2011

CONTENTS	PAGES
Officers and professional advisers	1
Chairman's Statement	2
Managing Director's report	3 to 4
The Directors' report	5 to 6
Independent Auditor's report to the members	7 to 8
Profit and Loss account	9
Balance Sheet	10
Cash Flow Statement	11
Notes to the financial statements	12 to 24

THE BLACK SHEEP BREWERY PLC
OFFICERS AND PROFESSIONAL ADVISERS
YEAR ENDED 31 MARCH 2011

The board of directors	Anthony Robinson (Non-Executive Chairman) Paul Theakston (Joint Managing Director) Robert Theakston (Joint Managing Director) Stephen Constable Alan Dunn Brian Smith Jo Theakston John Lindop (Non-Executive) John Theakston (Non-Executive)
Company secretary	Stephen Constable
Registered office	Wellgarth Masham Ripon North Yorkshire HG4 4EN
Stockbrokers and registrars	Brewin Dolphin Limited 36 St Ann Street Manchester M2 7LE
Auditor	RSM Tenon Audit Limited 2 Wellington Place Leeds LS1 4AP
Bankers	HSBC Bank Plc Park Square Masham Ripon HG4 4EN
Solicitors	Eversheds LLP Bridgewater Place Water Lane Leeds LS11 5DR

THE BLACK SHEEP BREWERY PLC

CHAIRMAN'S STATEMENT

YEAR ENDED 31 MARCH 2011

Once again it is my pleasure to present our annual report, this being the nineteenth

Despite the continuing changes our industry has faced, coupled with significant tax hikes and capped by December's extremely bad weather, I am pleased to report a solid performance. I am also encouraged by a good start to the current year.

Given the general tough trading conditions and a declining market we have done well to maintain our sales volumes. We continue to explore new avenues to grow our sales. More beer is being consumed at home. We have held our share by offering new products and innovations, notably in packaging.

The "on-trade" continues to be rationalised. Large pub groups are continuing to shed pubs and alter their rental arrangements including "the tie". This also impacts on our route to market.

The Board changes I referred to last year will be in place by the AGM. Paul will have become Chairman and Robert sole MD. I will stay on as a non-exec for a while yet. I wish Robert and his team well and have no doubt that under Paul's experienced eye, Black Sheep Brewery will continue to thrive and prosper for a long time ahead.

Our sales and marketing team have done very well to react and remain on top of the difficult market place, helped in no small way by the support of the production team, led by Alan Dunn. Alan remains the guardian of our cask beers as the quality of our beers is so essential to our success.

Jo Theakston has ensured a growing presence in the "off-Trade" and Brian Smith has worked hard to keep our cask beers in evidence in an ever widening and changing market. Jo and his marketing team have also continued to develop our brand image and market presence. Our web site and logo have been refreshed and we are embracing social media.

Steve Constable continues to hound us on margins and the like. He keeps good contact with our bank manager who has supported us with further funding for our development. Steve also keeps an overseeing eye on the Visitors Centre, which remains an important shop window for us.

Over the past twenty years Black Sheep Brewery has established a strong national brand which resonates abroad as far as the USA and Canada to the Antipodes and from Scandinavia to the Far East.

We are very fortunate to have been able to acquire a ready made factory on Fearby Road which lies adjacent to our existing development land. It comprises warehousing, cold storage and office space together with some additional land. This means we now have space to concentrate all our production and distribution activities in Masham, and have plenty of room for future developments.

We are determined that Black Sheep Brewery will remain an independent Brewer in Masham for the next generation and beyond by the looks of things.

Our shares continue to trade around the £5 mark. It is proposed to maintain the dividend at 9p per share.

Congratulations once again to all our staff who have worked so hard and effectively to champion the cause for cask beers and, in a tough market, sell our beers as profitably as possible.

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

Anthony Robinson
Chairman
28 July 2011

THE BLACK SHEEP BREWERY PLC
MANAGING DIRECTOR'S REPORT
YEAR ENDED 31 MARCH 2011

The twelve months to March 2011 have again provided an interesting backdrop against which a traditional brewery like ours has traded. Nationally, something like 960,000 barrels have gone out of the market during the year, with most ale and lager categories being losers. For Black Sheep and its two principal products, the cask ale market was down by over 6%, but joy of joys the bottled ale market actually increased by a massive 0.9%. In such a depressed market, it's a tricky game to keep volume and profitability balanced and the business moving forward.

The Black Sheep's performance this year reflects a planned "steady as she goes" policy in these difficult times. We have not gone out for volume at any cost, have worked hard to refine our sales mix progressively to move unprofitable sales to better quality ones, and have controlled overheads and cash flow rigidly. This has resulted in an unexciting but secure year from the point of view of profitability and financial stability, enabling us to sustain our dividend policy, work well within our banking facilities and continue to invest in the business for the future.

We must once again comment on something over which we have no control. This is the effect of beer duty and successive duty increases. Every time the Chancellor raises duty by his penny or three a pint, the effect across the bar is magnified to eight or ten pence, and he is doing that at least twice a year currently. Thus the consumer at the bar, who already has less and less disposable income to spend at the bar, can little afford to buy more beer. From the Brewery's point of view, the Chancellor now takes just under £7.5 million a year from us in duty, and every increase he makes reduces our gross margin.

We mentioned investing in the business for the future. During the year, we seized the opportunity to acquire the former Danby Foods factory adjacent to the development land we bought six years ago on Fearby Road on the outskirts of Masham. This is a ready-made food standard factory, which will readily adapt to our future needs. In the first instance, we will move our Distribution, Telesales and Technical Services up from Well, where we have rented premises for the last ten years. The next step will likely be to bring all our administration onto the site. Whilst we were thoughtful about making such an investment during difficult times, we can now look forward to the development of the business in Masham over the next twenty years with complete confidence - we have all the expansion space we need in the right location.

This time last year, we had just made a number of management changes, with three new executive Directors and Rob Theakston becoming Joint Managing Director with Paul Theakston. Rob took over full day to day executive responsibility in December 2010, and Paul has taken over the Chair of the Company from Tony Robinson, who remains as a Non Executive Director. The new executive team is full of enthusiasm for the possibilities that lie ahead, despite the challenging trading environment, and will take Black Sheep forward into a whole new era!

With the new management team up and running, we have set about focusing all in the business on controlling our costs but at the same time improving our understanding of the channels of trade, and focusing all our efforts on profitable business. It has been a turbulent year from a trading perspective - Punch has had a major restructure, resulting in a reduction of around 500 pubs per year, the major multiples continue to pressure suppliers and the growth of the micro brewers who enjoy significant duty relief is becoming even more prevalent.

We have seen turnover drop by 1% from last year to £18,354,000 but we have held our overheads at a level similar to last year, seen a duty rise of over 5% on a barrel of beer, and seen overall barrelage fall slightly which has meant we turned in a profit before tax of £464,878.

We are not going to let these trends continue, and we have been working hard on our product mix introducing new beers to our range, albeit some on a one off exclusive basis e.g. Russian Imperial stout. And we are developing pack variants in the take home trade, to bring Black Sheep beers to a wider audience.

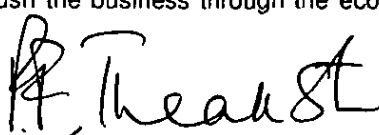
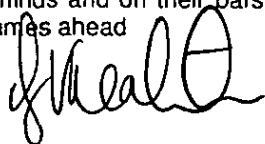
THE BLACK SHEEP BREWERY PLC

MANAGING DIRECTOR'S REPORT

YEAR ENDED 31 MARCH 2011

The brewery logo has undergone a face lift, giving it a stronger presence, and with the tag line "Great Yorkshire Beers" as a purposeful definition

We will continue to push hard in the marketplace keeping Black Sheep in the forefront of peoples' minds and on their bars, and push the business through the economic hurdles and on into exciting times ahead



Robert and Paul Theakston
Joint Managing Directors
28 July 2011

THE BLACK SHEEP BREWERY PLC

THE DIRECTORS' REPORT

YEAR ENDED 31 MARCH 2011

The directors present their report and the financial statements of the company for the year ended 31 March 2011

Principal activities and business review

The principal activity of the company during the year is brewing for sale

Results and dividends

The profit for the year, after taxation, amounted to £413,132 Particulars of dividends paid and proposed are detailed in note 8 to the financial statements

Employee savings related share option scheme

Subsequent to the year end the Board has established a sixteenth Inland Revenue approved SAYE scheme for 32,887 ordinary shares which has been taken up by 48 employees Options have been granted at a share price of £3 45 exercisable at the end of 3 years

The directors and their interests in the shares of the company

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

	Ordinary Shares of £1 each	
	At	At
	31 March 2011	1 April 2010
Anthony Robinson (Non-Executive Chairman)	22,791	20,166
Paul Theakston (Joint Managing Director)	133,607	139,067
Robert Theakston (Joint Managing Director)	100	-
Stephen Constable	5,709	6,134
Alan Dunn	100	-
Brian Smith	100	-
Jo Theakston	4,700	4,700
John Lindop (Non-Executive)	4,975	4,975
John Theakston (Non-Executive)	42,417	42,417

Directors' share options are shown in note 17 to the financial statements

Statement of corporate governance

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

Policy on the payment of creditors

The Company agrees terms and conditions which include payment details with its suppliers Payment is made in accordance with those terms and conditions, provided the supplier has complied with them The average number of days trade creditors as at 31 March 2011 was 42 (2010 - 41)

THE BLACK SHEEP BREWERY PLC

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 MARCH 2011

Directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are, individually, aware

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

Auditor

RSM Tenon Audit Limited are deemed to be reappointed under section 487(2) of the Companies Act 2006

Signed on behalf of the directors



Stephen Constable

Company Secretary

Approved by the directors on 28 July 2011

THE BLACK SHEEP BREWERY PLC
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE
BLACK SHEEP BREWERY PLC
YEAR ENDED 31 MARCH 2011

We have audited the financial statements of The Black Sheep Brewery Plc for the year ended 31 March 2011 on pages 9 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the Annual Report, financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its profit 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

THE BLACK SHEEP BREWERY PLC
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE
BLACK SHEEP BREWERY PLC *(continued)*
YEAR ENDED 31 MARCH 2011

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Angus Marshall, Senior Statutory Auditor
For and on behalf of

RSM Tenon Audit Limited
Statutory Auditor
2 Wellington Place
Leeds
LS1 4AP

28 July 2011

THE BLACK SHEEP BREWERY PLC
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 2011

	Note	2011 £	2010 £
Turnover		18,354,219	18,596,676
Cost of sales		(12,854,610)	(13,017,188)
Gross profit		<u>5,499,609</u>	<u>5,579,488</u>
Distribution costs		(3,209,136)	(2,950,596)
Administrative expenses		(1,623,940)	(1,798,570)
Operating profit	2	<u>666,533</u>	<u>830,322</u>
Interest payable and similar charges	3	(201,655)	(216,566)
Profit on ordinary activities before taxation		<u>464,878</u>	<u>613,756</u>
Tax on profit on ordinary activities	6	(51,746)	(180,625)
Profit for the financial year		<u><u>413,132</u></u>	<u><u>433,131</u></u>

All of the activities of the company are classed as continuing

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

The notes on pages 12 to 24 form part of these financial statements

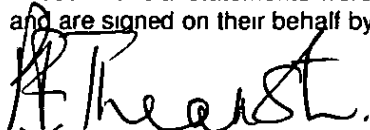
THE BLACK SHEEP BREWERY PLC

Registered Number 02686985

BALANCE SHEET**31 MARCH 2011**

	Note	2011 £	2010 £
Fixed assets			
Tangible assets	8	10,454,066	9,037,780
Current assets			
Stocks	9	1,048,515	1,015,352
Debtors	10	3,085,435	3,174,172
Cash at bank		3,560	3,095
		<u>4,137,510</u>	<u>4,192,619</u>
Creditors. Amounts falling due within one year	11	<u>(4,036,879)</u>	<u>(3,763,319)</u>
Net current assets		100,631	429,300
Total assets less current liabilities		<u>10,554,697</u>	<u>9,467,080</u>
Creditors: Amounts falling due after more than one year	12	(2,656,505)	(1,913,023)
Provisions for liabilities			
Deferred taxation	15	(935,008)	(1,029,594)
		<u>6,963,184</u>	<u>6,524,463</u>
Capital and reserves			
Called-up share capital	17	2,007,028	1,960,227
Share premium account	19	981,252	863,370
Share options reserve	19	240,501	199,085
Profit and loss account	19	3,734,403	3,501,781
Shareholders' funds	20	<u>6,963,184</u>	<u>6,524,463</u>

These financial statements were approved by the directors and authorised for issue on 28 July 2011, and are signed on their behalf by



Paul Theakston
Director



Robert Theakston
Director

The notes on pages 12 to 24 form part of these financial statements

THE BLACK SHEEP BREWERY PLC
CASH FLOW STATEMENT
YEAR ENDED 31 MARCH 2011

	Note	2011 £	2010 £
Net cash inflow from operating activities	21	1,570,097	1,278,578
Returns on investments and Servicing of finance			
Interest paid		(165,143)	(166,346)
Interest element of hire purchase		(36,512)	(50,220)
Net cash outflow from returns on investments and servicing of finance		(201,655)	(216,566)
Taxation		(54,873)	(222)
Capital expenditure			
Payments to acquire tangible fixed assets		(2,077,475)	(287,579)
Receipts from sale of fixed assets		108,095	38,580
Net cash outflow from capital expenditure		(1,969,380)	(248,999)
Equity dividends paid		(180,510)	(147,017)
Cash (outflow)/inflow before financing		(836,321)	665,774
Financing			
Issue of equity share capital		46,801	30,019
Share premium on issue of equity share capital		117,882	66,042
New bank loans		1,275,000	—
Repayment of bank loans		(317,848)	(317,849)
Capital element of hire purchase		(339,965)	(385,146)
Net cash inflow/(outflow) from financing		781,870	(606,934)
(Decrease)/increase in cash	21	(54,451)	58,840

THE BLACK SHEEP BREWERY PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2011

1. Accounting policies

Basis of accounting

The financial statements 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

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Cost represents purchase price together with any incidental costs of acquisition

Depreciation

Depreciation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the useful economic life of that asset as follows

Land and Buildings	- 50 years
Plant & Equipment	- 3 to 15 years
Motor Vehicles	- 4 to 5 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 raw materials are valued at purchase price and work in progress and finished goods are valued at raw material cost plus a proportion of directly attributable labour and production overheads

Hire purchase agreements

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

Leased assets

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

Pension costs

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

THE BLACK SHEEP BREWERY PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2011

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 differences between accelerated capital allowances and depreciation.

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.

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.

2. Operating profit

Operating profit is stated after charging/(crediting)

	2011 £	2010 £
Depreciation of owned fixed assets	490,916	474,973
Depreciation of assets held under hire purchase agreements	248,680	257,157
(Profit)/loss on disposal of fixed assets	(84,715)	4,497
Auditor's remuneration		
- as auditor	9,530	9,250
- for other services relating to taxation	11,120	3,800
Operating lease costs		
-Plant and machinery	35,840	69,185
-Other	152,805	137,343
	<u>201,655</u>	<u>216,566</u>

3. Interest payable and similar charges

	2011 £	2010 £
Bank interest	165,143	166,346
Hire purchase	36,512	50,220
	<u>201,655</u>	<u>216,566</u>

THE BLACK SHEEP BREWERY PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2011

4. Particulars of employees

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

	2011	2010
	No	No
Production	17	19
Sales and distribution	34	33
Administration	14	13
Visitor centre	35	33
	<u>100</u>	<u>98</u>

The aggregate payroll costs of the above were

	2011	2010
	£	£
Wages and salaries	2,345,976	2,304,155
Social security costs	247,745	191,100
Other pension costs	196,095	175,600
Equity-settled share-based payments	41,416	42,844
	<u>2,831,232</u>	<u>2,713,699</u>

5. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services were

	2011	2010
	£	£
Remuneration receivable	538,416	275,183
Value of company pension contributions to money purchase schemes	61,822	28,676
	<u>600,238</u>	<u>303,859</u>

The cost of directors remuneration is included within the financial statements from the date of appointment only

Remuneration of highest paid director:

	2011	2010
	£	£
Total remuneration (excluding pension contributions)	115,239	125,776
Value of company pension contributions to money purchase schemes	15,617	15,161
	<u>130,856</u>	<u>140,937</u>

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

	2011	2010
	No	No
Money purchase schemes	<u>6</u>	<u>3</u>

THE BLACK SHEEP BREWERY PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2011

6. Taxation on ordinary activities

(a) Analysis of charge in the year

	2011 £	2010 £
In respect of the year		
UK Corporation tax based on the results for the year at 28% (2010 - 28%)	146,901	55,442
Over/under provision in prior year	(569)	(7,250)
	<u>146,332</u>	<u>48,192</u>
Deferred tax		
Origination and reversal of timing differences	(21,043)	132,433
Deferred tax adjustment in respect of previous years	(73,543)	-
Total deferred tax (note 16)	<u>(94,586)</u>	<u>132,433</u>
Tax on profit on ordinary activities	<u>51,746</u>	<u>180,625</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 28% (2010 - 28%)

	2011 £	2010 £
Profit on ordinary activities before taxation	<u>464,878</u>	<u>613,756</u>
Profit on ordinary activities by rate of tax	130,166	171,852
Effects of		
Income / (expenses) not deductible for tax purposes	10,138	16,022
Depreciation in excess of capital allowances	22,662	14,024
Utilisation of tax losses and other deduction	-	(145,515)
Adjustments to tax charge in respect of previous periods	(569)	(7,250)
Other short term timing differences	(16,065)	(941)
Total current tax (note 7(a))	<u>146,332</u>	<u>48,192</u>

(c) Factors that may affect future tax charges

Based upon future capital expenditure plans, the Company expects to be able to claim capital allowances in excess of depreciation in future years

THE BLACK SHEEP BREWERY PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2011

7. Dividends

Equity dividends

	2011 £	2010 £
Paid during the year		
Ordinary dividend paid of 9p (2010 7 5p)	<u>180,510</u>	<u>14,017</u>
Proposed at the year-end (recognised as a liability)		
Ordinary dividend proposed of 9p (2010 9p)	<u>183,815</u>	<u>180,708</u>

The proposed 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

8. Tangible fixed assets

	Freehold Property £	Plant & Machinery £	Motor Vehicles £	Total £
Cost				
At 1 April 2010	6 069 690	7,545 963	755,984	14 371 637
Additions	1,802,379	197,281	179,602	2,179,262
Disposals	—	(413,327)	(150,809)	(564,136)
At 31 March 2011	<u>7,872,069</u>	<u>7,329,917</u>	<u>784,777</u>	<u>15,986,763</u>
Depreciation				
At 1 April 2010	816,803	3,984,443	532,611	5,333,857
Charge for the year	122,072	490,926	126,598	739,596
On disposals	—	(409,545)	(131,211)	(540 756)
At 31 March 2011	<u>938,875</u>	<u>4,065,824</u>	<u>527,998</u>	<u>5,532,697</u>
Net book value				
At 31 March 2011	<u>6,933,194</u>	<u>3,264,093</u>	<u>256,779</u>	<u>10,454,066</u>
At 31 March 2010	<u>5,252,887</u>	<u>3,561,520</u>	<u>223,373</u>	<u>9,037,780</u>

Hire purchase agreements

Included within the net book value of £10,454,066 is £1,909,404 (2010 - £2,060,104) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £248,680 (2010 - £257,157)

THE BLACK SHEEP BREWERY PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2011

9. Stocks

	2011 £	2010 £
Raw materials and consumables	435,098	325,298
Finished goods and goods for resale	613,417	690,054
	<u>1,048,515</u>	<u>1,015,352</u>

10. Debtors

	2011 £	2010 £
Trade debtors	2,929,193	3,040,428
Other debtors	29,645	28,702
Prepayments and accrued income	126,597	105,042
	<u>3,085,435</u>	<u>3,174,172</u>

11. Creditors. Amounts falling due within one year

	2011 £	2010 £
Bank loans and overdrafts	776,520	721,604
Trade creditors	1,576,768	1,389,054
Corporation tax	146,901	55,442
Other taxation and social security	1,078,501	964,759
Hire purchase agreements	299,100	323,948
Other creditors	38,988	50,770
Accruals and deferred income	120,101	257,742
	<u>4,036,879</u>	<u>3,763,319</u>

12. Creditors. Amounts falling due after more than one year

	2011 £	2010 £
Bank loans and overdrafts	2,266,108	1,308,956
Hire purchase agreements	354,622	567,952
	<u>2,620,730</u>	<u>1,876,908</u>
Accruals and deferred income	35,775	36,115
	<u>2,656,505</u>	<u>1,913,023</u>

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

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

THE BLACK SHEEP BREWERY PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2011

13 Analysis of borrowings

Amounts repayable

	Bank loans and overdrafts £	Obligations under hire purchase contracts £	Total £
As at 31 March 2011			
Amounts payable within 1 year	776,524	299,100	1,075,624
Amounts payable between 1 and 2 years	381,598	251,245	632,843
Amounts payable between 3 and 5 years	791,370	103,377	894,747
Amounts payable after more than 5 years	1,093,136	-	1,093,136
	<u>3,042,628</u>	<u>653,722</u>	<u>3,696,350</u>

	Bank loans and overdrafts £	Obligations under hire purchase contracts £	Total £
As at 31 March 2010			
Amounts payable within 1 year	721,604	323,948	1,045,552
Amounts payable between 1 and 2 years	317,852	259,781	577,633
Amounts payable between 3 and 5 years	670,302	308,171	978,473
Amounts payable after more than 5 years	320,802	-	320,802
	<u>2,030,560</u>	<u>891,900</u>	<u>2,922,460</u>

14. Pensions

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £196,095 (2010 - £175,600).

Contributions totalling £17,607 (2010 - £19,125) were payable to the scheme at the end of the period and are included in creditors.

THE BLACK SHEEP BREWERY PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2011

15. Deferred taxation

The movement in the deferred taxation provision during the year was

	2011 £	2010 £
At 1 April 2010	1,029,594	897,161
Profit and loss account movement arising during the year	(94,586)	132,433
At 31 March 2011	<u>935,008</u>	<u>1,029,594</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of

	2011 £	2010 £
Excess of taxation allowances over depreciation on fixed assets	939,143	1,034,047
Other timing differences	(4,135)	(4,453)
	<u>935,008</u>	<u>1,029,594</u>

Deferred tax is provided at 26% (2010 - 28%)

16. 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 as described in note 17. Options are exercisable at a price determined on the grant date and the vesting period is three years. Options are forfeited if the employee leaves the company before the options vest.

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

	2011	Weighted	2010	Weighted
	Shares under option	average exercise price	shares under option	average exercise price
Outstanding at beginning of year	259,951	£2 96	201,653	£3 24
Granted during the year	72,093	£3 16	114,500	£2 69
Forfeited during the period	(17,652)	£2 93	(26,193)	£2 78
Exercised during the year	(46,801)	£3 52	(30,019)	£3 20
Outstanding at the end of the year	<u>267,591</u>	£2 92	<u>259,951</u>	£2 96
Exercisable at the end of the year	<u>71,474</u>	£3 12	<u>86,801</u>	£3 12

THE BLACK SHEEP BREWERY PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2011

16. Share-based payments (*continued*)

The weighted average share price at the date of exercise for share options exercise during the year was £3.52. The options outstanding at 31 March 2011 had a weighted average exercise price of £2.92, and a weighted average remaining contractual life of 2.2 years.

Included within this balance are options over 33,000 shares (2010 - 33,000 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.

17. Share capital

Authorised share capital:

	2011 £	2010 £
Ordinary shares of £1 each	<u>2,750,000</u>	<u>2,750,000</u>

Allotted, called up and fully paid:

	2011 No	£	2010 No	£
Ordinary shares of £1 each	<u>2,007,028</u>	<u>2,007,028</u>	<u>1,960,227</u>	<u>1,960,227</u>

During the year 46,801 £1 Ordinary shares were issued on the exercise of share options.

Details of Directors' share options are set out on the following page.

THE BLACK SHEEP BREWERY PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2011

	At 1 April 2010	Granted	Exercised / Lapsed	At 31 March 2011	Exercise price	Market price at date of exercise	Exercise date	Expiry date
A J Robinson								
SAYE Scheme 12	2,625	-	(2,625)	-	£3 60	£5 00		07/10
SAYE Scheme 15	-	3,065	-	3,065	£2 96			07/13
P F Theakston								
SAYE Scheme 12	630	-	(630)	-	£3 60	£5 00		07/10
SAYE Scheme 13	1,197	-	-	1,197	£3 14			07/11
SAYE Scheme 14	1,517	-	-	1,517	£2 17			07/12
SAYE Scheme 15	-	735	-	735	£2 96			07/13
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
R J Theakston								
SAYE Scheme 14	843	-	-	843	£2 17			07/12
SAYE Scheme 15	-	613	-	613	£2 96			07/13
EMI Scheme 3	4,000	-	-	4,000	£3 98		10/12	10/19
EMI Scheme 4	-	4,000	-	4,000	£3 68		06/13	06/20
S J Constable								
SAYE Scheme 12	1,575	-	(1,575)	-	£3 60	£5 00		07/10
SAYE Scheme 13	598	-	-	598	£3 14			07/11
SAYE Scheme 14	843	-	-	843	£2 17			07/12
SAYE Scheme 15	-	1,226	-	1,226	£2 96			07/13
EMI Scheme 2	15,090	-	-	15,090	£3 22		11/06	11/13
EMI Scheme 3	4,000	-	-	4,000	£3 98		10/12	10/19
EMI Scheme 4	-	4,000	-	4,000	£3 68		06/13	06/20
A Dunn								
SAYE Scheme 12	1,575	-	(1,575)	-	£3 60	£5 00		07/10
SAYE Scheme 13	598	-	-	598	£3 14			07/11
SAYE Scheme 14	843	-	-	843	£2 17			07/12
SAYE Scheme 15	-	1,226	-	1,226	£2 96			07/13
EMI Scheme 3	4,000	-	-	4,000	£3 98		10/12	10/19
EMI Scheme 4	-	4,000	-	4,000	£3 68		06/13	06/20
B K Smith								
SAYE Scheme 13	2,394	-	-	2,394	£3 14			07/11
SAYE Scheme 14	843	-	-	843	£2 17			07/12
EMI Scheme 3	4,000	-	-	4,000	£3 98		10/12	10/19
EMI Scheme 4	-	4,000	-	4,000	£3 68		06/13	06/20
J F Theakston								
SAYE Scheme 14	4,216	-	-	4,216	£2 17			07/12
EMI Scheme 3	4,000	-	-	4,000	£3 98		10/12	10/19
EMI Scheme 4	-	4,000	-	4,000	£3 68		06/13	06/20
J D Lindop								
SAYE Scheme 13	598	-	-	598	£3 14			07/11
SAYE Scheme 15	-	2,452	-	2,452	£2 96			07/13
J A Theakston								
SAYE Scheme 14	4,126	-	-	4,126	£2 17			07/12

THE BLACK SHEEP BREWERY PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2011

The market price of the shares at 31 March 2011 was £5 00 (2010 - £5 25)

The following options were outstanding at 31 March 2011

	Ordinary shares	Price £	Date of exercise
SAYE scheme 13	31,170	3 14	July 2011
SAYE scheme 14	80,085	2 17	July 2012
SAYE scheme 15	44,861	2 96	July 2013
EMI scheme 1	33,000	3 00	May 2005 – May 2012
EMI scheme 2	38,475	3 22	November 2006 – November 2013
EMI scheme 3	20,000	3 98	October 2012 – October 2019
EMI scheme 4	20,000	3 68	June 2013 – June 2020

The SAYE and EMI schemes are Inland Revenue approved

Shareholders breakdown

Shares held at 14 June 2011	Number of Shareholders	%	% holding in the company
1 – 1,000	860	73	18
1,001 – 3,000	221	19	21
3,001 – 5,000	53	4	11
5,001 and above	50	4	50
	<u>1,184</u>	<u>100</u>	<u>100</u>

18. Earnings per share

The earnings per share of 20 7p (2010 - 22 2p) has been calculated on earning of £413,132 (2010 - £433,131) and on a weighted average number of shares of 1,993,700 (2010 - 1,952,722)

19. Reserves

	Share premium account £	Share options reserve £	Profit and loss account £
Balance brought forward	863,370	199,085	3,501,781
Profit for the year	–	–	413,132
Dividends	–	–	(180,510)
New share capital subscribed	117 882	–	–
Share based payment charge	–	41,416	–
Balance carried forward	<u>981,252</u>	<u>240,501</u>	<u>3,734,403</u>

THE BLACK SHEEP BREWERY PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2011

20. Reconciliation of movements in shareholders' funds

	2011		2010	
	£	£	£	£
Profit for the financial year		413,132		433,131
New share capital	46,801		30,019	
Premium on new share capital subscribed	117,882		66,042	
		164,683		96,061
Dividends		(180,510)		(147,017)
Share based payment charge		41,416		42,844
Net addition to shareholders' funds		438,721		425,019
Opening shareholders' funds		6,524,463		6,099,444
Closing shareholders' funds		6,963,184		6,524,463

21 Notes to the cash flow statement

Reconciliation of operating profit to net cash inflow from operating activities

	2011	2010
	£	£
Operating profit	666,533	830,322
Depreciation	739,596	732,130
(Profit)/loss on disposal of fixed assets	(84,715)	4,497
Increase in stocks	(33,163)	(214,521)
Decrease/(increase) in debtors	88,737	(634,414)
Increase in creditors	151,693	517,720
Share based payment charge	41,416	42,844
Net cash inflow from operating activities	1,570,097	1,278,578

Reconciliation of net cash flow to movement in net debt

	2011		2010	
	£	£	£	£
(Decrease)/increase in cash in the period	(54,451)		58,840	
Net cash (inflow) from/outflow from bank loans	(957,152)		317,849	
Cash outflow in respect of hire purchase	339,965		385,146	
Change in net debt resulting from cash flows	(671,638)		761,835	
New finance leases	(101,787)		-	
Movement in net debt in the period	(773,425)		761,835	
Net debt at 1 April 2010	(2,919,365)		(3,681,200)	
Net debt at 31 March 2011	(3,692,790)		(2,919,365)	

THE BLACK SHEEP BREWERY PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2011

21. Notes to the cash flow statement (continued)

Analysis of changes in net debt

	At 1 April 2010 £	Cash flows £	Other changes £	At 31 March 2011 £
Net cash				
Cash in hand and at bank	3,095	465	–	3,560
Overdrafts	(403,760)	(54,916)	–	(458,676)
	<u>(400,665)</u>	<u>(54,451)</u>	<u>–</u>	<u>(455,116)</u>
Debt				
Debt due within 1 year	(317,844)	–	–	(317,844)
Debt due after 1 year	(1,308,956)	(957,152)	–	(2,266,108)
Hire purchase agreements	(891,900)	339,965	(101,787)	(653,722)
	<u>(2,518,700)</u>	<u>(617,187)</u>	<u>(101,787)</u>	<u>(3,237,674)</u>
Net debt	<u>(2,919,365)</u>	<u>(671,638)</u>	<u>(101,787)</u>	<u>(3,692,790)</u>

22. Commitments under operating leases

At 31 March 2011 the company had annual commitments under non-cancellable operating leases as set out below

	2011		2010
	Land and buildings £	Other Items £	Land and buildings £
Operating leases which expire			
Within 1 year	17,109	54,632	17,109
Within 2 to 5 years	–	35,464	–
	<u>17,109</u>	<u>90,096</u>	<u>17,109</u>
			<u>57,389</u>
			<u>117,381</u>

23. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £Nil (2010 - £28,477)