

**THE BLACK SHEEP BREWERY PLC**  
**REPORT AND**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**Company Registration Number 02686985**

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## **Officers and professional advisers**

<b>The Board of Directors</b>	Paul Theakston (Chairman) Robert Theakston (Managing Director) Stephen Constable (Finance Director) Alan Dunn (Production Director) Jo Theakston (Sales & Marketing Director) Andrew Slee (Non-Executive)
<b>Company Secretary</b>	Stephen Constable
<b>Registered office</b>	Wellgarth Masham Ripon North Yorkshire HG4 4EN
<b>Share dealing and registrars</b>	Capita Asset Services 34 Beckenham Road Beckenham Kent BR3 4TU
<b>Auditor</b>	RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP) Chartered Accountants 2 Whitehall Quay Leeds LS1 4HG
<b>Bankers</b>	HSBC Bank Plc 34 Westgate Ripon HG4 2BL
<b>Solicitors</b>	Eversheds LLP Bridgewater Place Water Lane Leeds LS11 5DR

## Chairman's Statement

This has been yet another interesting year for Black Sheep. The same trends of change and challenge out there in the UK market for a mid-sized regional brewer such as we are, and particularly for one without a tied pub estate, have continued. Above us in size are the major international brewers, and two large national independents; below us is the plethora of micro brewers. We sit in the squeezed middle. This impacts particularly on the cask beer market, where it continues to be especially challenging to make an adequate margin that properly rewards the quality, skill and investment that particularly cask beer demands, in both the brewery and the pub. The large national independents use their size and economies of scale to drive their cask beer sales, and the micros can use their Progressive Beer Duty advantage to sell cask beer at lower wholesale prices to the pub.

These circumstances will continue for a while to come as sure as night follows day. The task in hand is to change Black Sheep's approach to the market; by producing new and innovative beers that today's beer drinker wants, and by selling those beers in the most profitable parts of the market that we can.

The 2015-2016 result appears on the face of it to have been a backward step for us. However, strip out non-recurring reorganisation costs incurred during the year, recognise that overheads have been ruthlessly controlled, and the cash position very significantly improved through good management, and you are left with a business that is reshaping itself to rebuild profitable volume sales; and that is exactly what is happening in the current year.

Board membership has changed significantly. I flagged in my Chairman's statement last year that Tony Robinson wished to retire after long service with Black Sheep, and he did indeed so do in May this year. John Theakston also felt after 24 years' service as a non-exec director he had more than done his stint, and likewise retired in May. My heartfelt thanks go to both of them for supporting me so strongly in the Black Sheep endeavour from the very start. Sadly, Dr Chris Bruton, who joined the Board in mid-2015, has also had to retire, due to ill health. We have made one new appointment so far. Andy Slee joined the Board in June; his career has been with Bass, Coca Cola and latterly Punch Taverns and he is a very well-known and respected figure in the world of beer and pubs who is already bringing his experience and wise advice to us. We are actively recruiting further replacement NED's.

You will see from the Notice of Meeting that the Directors are proposing resolutions which would enable them to raise limited additional capital for Black Sheep. There are no plans to do so at present, but the Directors felt it prudent to put in place the facility, which requires approval by shareholders in General Meeting.

Finally, my thanks and appreciation go to Rob Theakston and his executive team. They have managed our business through this difficult year with complete dedication, and with a great determination to do whatever is necessary to bring Black Sheep back to proper profitability. Black Sheep is blessed with a very loyal group of employees, many of them shareholders, who likewise have worked their socks off for the business with enthusiasm and good humour, and my thanks go to every last one of them.



**Paul Theakston**  
Chairman

9 August 2016

## Managing Director's report

The environment, in which Black Sheep trades, remains a challenging one, but an exciting one as well. After coming very close to break even in the previous financial year our aim for this year was to take that next step back to profitability. My frustration is that what you cannot predict is the market and the ebbs and flows that come to bear upon you, although having the ability to be resilient enough to manage your way through it is key and something that the last few years' experience has built into the business. Like with all good plans you will always hit road bumps on the way, it is how you respond to them that counts.

We had been working hard to grow the take-home side of the business in the previous financial year, but as you will undoubtedly read the pressures of trading with the off trade have been great. We felt some of that pressure from a couple of retailers which hit our yearly volume figures for the off trade and is the principal reason for the fall in turnover to £18,258,000.

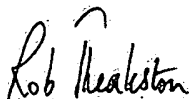
The on trade in the second half of the year saw our volumes tighten particularly with cask Best Bitter, as the market continues to look for variety and more modern styles of beer. Our response to this has been to bring interesting new beers to the bar and try to change peoples' underlying perceptions of Black Sheep in the market.

Our focus as a business remains on increasing our share of the on trade, off trade and export markets, and developing a diverse portfolio of beer styles that can compete in all sectors.

As a result of the trading environment, the pressures to manage the overhead spend and cash flow was ever present, and we have come through the year in a controlled and carefully managed way. As a result of this we have seen administrative expenses increase in the year, but we are confident this is not an ongoing cost, but a necessary one to navigate us through the year we have just completed. We also had a significant off trade stock write off in the year which again is only a one off but frustrating to all concerned none the less. This means that our underlying trading loss would have been £276,000 against a reported operating loss of £438,000.

We are confident of an exciting future for Black Sheep. In January, we refocused and spent time building a three year strategic plan that realigned with our core aims and objectives, and built on the great work that has been done so far. We aim to grow those core markets that we know well but also push the product range wider and experiment with new beer styles. This plan means a number of changes both in people and in our approach to producing beer. We have to keep pushing forward positively with what are great brands and great beers. The team continues to grow in confidence and is developing all the time into what I believe is a fantastic asset for the future of this business. The road ahead is not an easy one but the passion and energy that we have in our business is incredibly positive and better than we have ever had; and we are getting better and better at being able to make a success of being a brewer alone.

We will of course share all the detail and work that is being undertaken at present with you the shareholder at the AGM or in other communications, and I would like to thank you all for your patient support, you are the best sales team we have out there and it is appreciated!



**Robert Theakston**  
Managing Director

9 August 2016

## The Directors' report

The directors present their report and the financial statements of the company for the year ended 31 March 2016.

### Principal activity

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

### Results and dividends

The loss for the year, after taxation, amounted to £460,660. No dividends were paid or proposed. Further details on results are provided in the profit and loss account on page 8 and in the five year summary on page 30 which includes key performance indicators.

### The directors and their interests in the shares of the company

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

Ordinary Shares of £1 each:			
	At 31 March 2016	At 1 April 2015	
Paul Theakston (Chairman)	144,844	144,844	
Robert Theakston (Managing Director)	6,256	6,256	
Stephen Constable (Finance Director)	7,484	7,484	
Alan Dunn (Production Director)	2,541	2,541	
Jo Theakston (Sales & Marketing Director)	11,050	11,050	
Anthony Robinson (Non-Executive)	(Resigned 31 May 2016) 24,791	24,791	
John Theakston (Non-Executive)	(Resigned 31 May 2016) 52,633	52,633	
Chris Bruton (Non-Executive)	(Resigned 24 May 2016) -	-	
Andrew Slee (Non-Executive)	(Appointed 1 June 2016) -	-	

Directors' share options are shown in note 18 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 trade creditor days as at 31 March 2016 was 40 days (2015 - 36).

## **The Directors' report continued**

### **Directors' responsibilities**

The directors are responsible for preparing the Directors' report, the Strategic 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**

A resolution for the appointment of RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP) for the ensuing year will be proposed at the forthcoming Annual General Meeting.

Signed on behalf of the directors



**Stephen Constable**  
Company Secretary

Approved by the directors on 9 August 2016

## **The Strategic report**

The Chairman's statement on page 2 and Managing Directors' report on page 3 include details of the business strategy and expected future developments. In addition the key performance indicators (KPI's) used in the business are set out in the Five Year Summary on page 30.

### **Financial risk management objectives and policies**

The company'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 company's principal financial instruments comprise bank loans, an overdraft, and obligations under finance leases together with trade debtors and trade creditors that arise directly from its operations.

The main risks arising from the company's financial instruments can be analysed as follows:

#### **Credit risk**

The company's principal financial assets are bank balances, cash, and trade debtors which represent the company's maximum exposure to credit risk in relation to financial assets. The company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated by the company's management based on prior experience and their assessment of the current economic environment. The company does have a large proportion of its business throughout the year, and outstanding debtor balances at the year end, with a concentrated number of multiple pub groups. The exposure to multiple pub groups and other customer groups is managed through regular management reviews and credit insurance.

#### **Liquidity risk**

The company'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 company 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 company.



**Stephen Constable**  
Company Secretary

Approved by the directors on 9 August 2016



## **Independent Auditor's Report to the Members of The Black Sheep Brewery plc**

We have audited the financial statements on pages 8 to 29. 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, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland").

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 more fully explained in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the 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 (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

### **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 2016 and of its 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.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

### **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.

*RSM UK Audit LLP*

Hugh Fairclough (Senior Statutory Auditor)

For and on behalf of RSM UK AUDIT LLP (formerly BAKER TILLY UK AUDIT LLP), Statutory Auditor

Chartered Accountants

2 Whitehall Quay

Leeds

LS1 4HG

12 August 2016

# **Profit and Loss Account for the Year Ended 31 March 2016**

		2016	2015
	Note	£	£
<b>Turnover</b>	3	18,257,605	19,544,982
Cost of sales		(13,472,849)	(14,325,443)
<b>Gross profit</b>		<u>4,784,756</u>	<u>5,219,539</u>
Distribution costs		(3,012,145)	(3,071,868)
Administrative expenses		<u>(2,211,467)</u>	<u>(1,992,681)</u>
<b>Operating (loss)/profit</b>		(437,788)	154,990
Interest payable and similar charges	4	<u>(168,578)</u>	<u>(189,330)</u>
<b>Loss on ordinary activities before tax</b>	5	(607,434)	(34,340)
Tax on loss on ordinary activities	8	146,774	8,383
<b>Loss for the financial year</b>		<u>(460,660)</u>	<u>(25,957)</u>
<b>Total comprehensive loss for the year</b>		<u>(460,660)</u>	<u>(25,957)</u>

All of the activities of the company are classed as continuing.

# Balance Sheet as at 31 March 2016

		2016		2015	
	Note	£	£	£	£
<b>Fixed assets</b>					
Tangible assets	9		8,938,888		9,146,492
<b>Current assets</b>					
Stocks	10	1,110,633		1,372,200	
Debtors	11	2,767,031		3,468,728	
Cash at bank		6,295		6,495	
		<u>3,883,959</u>		<u>4,847,423</u>	
<b>Creditors: Amounts falling due within one year</b>	12	<u>(4,834,063)</u>		<u>(5,305,465)</u>	
<b>Net current liabilities</b>			(950,103)		(458,042)
<b>Total assets less current liabilities</b>			<u>7,988,784</u>		<u>8,688,450</u>
<b>Creditors: Amounts falling due after more than one year</b>	13		(1,305,587)		(1,415,649)
<b>Provisions for liabilities</b>					
Deferred taxation	17		(465,735)		(599,748)
			<u>6,217,462</u>		<u>6,673,053</u>
<b>Capital and reserves</b>					
Called-up share capital	18		2,117,172		2,117,172
Share premium account	20		1,162,627		1,162,627
Share options reserve	20		146,934		141,865
Profit and loss account	20		2,790,729		3,251,389
<b>Shareholders' funds</b>			<u>6,217,462</u>		<u>6,673,053</u>

The financial statements on pages 8 to 29 were approved by the directors and authorised for issue on 9 August 2016 and are signed on their behalf by:



**Robert Theakston**  
Director

Registered number: 02686985

# **Statement of Changes in Equity for the Year Ended 31 March 2016**

	Called-up share capital £	Share premium account £	Share options reserve £	Profit and Loss Account £	Total £
Balance at 1 April 2014	2,116,126	1,160,065	138,117	3,298,486	6,712,794
<b>Year Ended 31 March 2015</b>					
FRS 102 adjustment (note 26)	-	-	-	(21,140)	(21,140)
Loss for the year	-	-	-	(25,957)	(25,957)
Issue of shares on the exercise of share options	1,046	2,562	-	-	3,608
Share based payment charge	-	-	3,748	-	3,748
Balance as at 31 March 2015	2,117,172	1,162,627	141,865	3,251,389	6,673,053
<b>Year Ended 31 March 2016</b>					
Loss for the year	-	-	-	(460,660)	(460,660)
Share based payment charge	-	-	5,069	-	5,069
Balance as at 31 March 2016	2,117,172	1,162,627	146,934	2,790,729	6,217,462

# **Cash Flow Statement for the Year Ended 31 March 2016**

		2016		2015	
	Note	£	£	£	£
<b>Operating activities</b>					
Cash generated from operations	21	1,267,546		330,323	
Income taxes paid		<u>(803)</u>		<u>(5,577)</u>	
<b>Net cash from operating activities</b>			1,266,743		324,746
<b>Investing activities</b>					
Payments to acquire tangible fixed assets		(185,856)		(210,490)	
Receipts from sale of fixed assets		<u>10,003</u>		<u>13,755</u>	
<b>Net cash used in investing activities</b>			(175,853)		(196,735)
<b>Financing activities</b>					
Proceeds from issuance of ordinary shares		-		3,608	
Repayment of bank loans		(282,893)		(340,991)	
Capital element of hire purchase		(169,371)		(114,907)	
Interest paid		(146,434)		(175,447)	
Interest element of hire purchase		<u>(22,144)</u>		<u>(13,883)</u>	
<b>Net cash used in financing activities</b>			(620,842)		(641,620)
<b>Net increase / (decrease) in cash and cash equivalents</b>			<u>470,048</u>		<u>(513,609)</u>
Cash and cash equivalents at beginning of year			(2,338,265)		(1,824,656)
<b>Cash and cash equivalents at end of year</b>	21		<u>(1,868,217)</u>		<u>(2,338,265)</u>
<b>Cash at cash equivalents represent:-</b>					
Bank balances and short term deposits included in cash at bank and in hand			6,295		6,495
Overdrafts included in "creditors: amounts falling due within one year"			<u>(1,874,512)</u>		<u>(2,344,760)</u>
			<u>(1,868,217)</u>		<u>(2,338,265)</u>

## Notes to the Financial Statements for the Year Ended 31 March 2016

### 1. Accounting policies

#### General Information

The Black Sheep Brewery plc ("the Company") is a limited company domiciled and incorporated in England.

The address of the Company's registered office and principal place of business is Wellgarth, Masham, Ripon, North Yorkshire, HG4 4EN.

The company's principal activities are disclosed in the Directors' Report.

#### Basis of accounting

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, and under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value.

Monetary amounts in these financial statements are rounded to the nearest whole £1, except where otherwise indicated.

#### First time adoption of FRS 102

These financial statements are the first financial statements of The Black Sheep Brewery Plc prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102). The financial statements of The Black Sheep Brewery Plc for the year ended 31 March 2015 were prepared in accordance with previous UK GAAP.

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the directors have amended certain accounting policies to comply with FRS 102. The directors have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'.

Comparative figures have been restated to reflect the adjustments made, except to the extent that the directors have taken advantage of exemptions to retrospective application of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'. Adjustments are recognised directly in retained earnings at the transition date.

Details of the transition to FRS 102 are included in note 26.

#### Going concern basis of preparation

The Company recorded a loss for the year ended 31 March 2016 of £460,660 and had net current liabilities of £950,103. The Chairman's Statement and Managing Director's report set out in more detail the result for the year to 31 March 2016 as well the principal risks facing the business and the current trading environment in the brewing sector, which continues to be challenging.

The directors have prepared forecasts for the forthcoming 18 months which show that the Company can continue to operate within its available facilities. These forecasts reflect the current trading conditions as well as current initiatives to return the Company to profitability, some of which are in place and others of which are scheduled to commence throughout the period of these forecasts. The directors consider that there remains the risk that trading conditions in the sector will deteriorate further. To mitigate that risk the directors have a number of further actions which will be implemented over the forecast period. These actions enable the Company to continue to trade and meet its debts as they fall due.

## Notes to the Financial Statements for the Year Ended 31 March 2016

### 1. Accounting policies (continued)

The Company's banking facilities are scheduled for annual review in September 2016. The Company continues to work with the bank in respect of renewing these facilities. The Directors cannot foresee any reason that will prevent successful review of the facilities.

Having considered all of the factors listed above the directors consider that it is appropriate to prepare the financial statements on a going concern basis.

#### Functional and presentational currencies

The financial statements are presented in sterling which is also the functional currency of the Company.

#### Turnover

Turnover represents sales of goods exclusive of Value Added Tax but inclusive of beer duty. Turnover is recognised at the point of delivery of goods.

#### Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost net of depreciation and any impairment losses. Cost represents purchase price together with any incidental costs of acquisition.

Depreciation is provided on all tangible fixed assets, other than freehold land and investment properties, at rates calculated to write off the cost or valuation of each asset to its estimated residual value on a straight line basis over its expected useful life, as follows:-

Freehold Property	- 50 years
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.

#### Impairment of fixed assets

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the Company estimates the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. Impairments of revalued assets are treated as a revaluation loss. All other impairment losses are recognised in profit or loss.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in profit or loss or, for revalued assets, as a revaluation gain. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

#### Stock

Stock is stated at the lower of cost and net realisable value.

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.

## Notes to the Financial Statements for the Year Ended 31 March 2016

### 1. Accounting policies (continued)

At each reporting date, the Company assesses whether stocks are impaired or if an impairment loss recognised in prior periods has reversed. Any excess of the carrying amount of stock 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.

#### **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 tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. 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 is not discounted.

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.

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

#### **Leases**

##### *The Company as Lessee – Finance Leases*

An asset and corresponding liability are recognised for leasing agreements that transfer to the Company substantially all of the risks and rewards incidental to ownership ("finance leases"). The amount capitalised is the fair value of the leased asset or, if lower, the present value of the minimum lease payments payable during the lease term, both determined at inception of the lease. 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. Contingent rents are expensed as incurred.

##### *The Company as Lessee – Operating Leases*

All other leases are operating leases and the annual rentals are charged to profit or loss on a straight line basis over the lease term.

#### **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.



## Notes to the Financial Statements for the Year Ended 31 March 2016

### 1. Accounting policies (continued)

#### **Retirement benefits**

##### *Defined contribution plans*

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.

#### **Financial Instruments**

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

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument, and are offset only when the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### **Financial Assets**

##### *Trade debtors*

Trade debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a trade debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

##### *Bank overdrafts*

Bank overdrafts are presented within creditors: amounts falling due within one year.

#### **Financial liabilities and equity**

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

##### *Trade creditors*

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

## Notes to the Financial Statements for the Year Ended 31 March 2016

### 1. Accounting policies (continued)

#### *Borrowings*

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

#### *Derecognition of financial assets and liabilities*

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, 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. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

#### **Share-based payments**

The Company 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.

### 2. Critical accounting estimates and areas of judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### *Critical accounting estimates and assumptions*

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### *(i) 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 9 for the carrying amount of the property plant and equipment, and note 1 for the useful economic lives for each class of assets.

## Notes to the Financial Statements for the Year Ended 31 March 2016

### 2. Critical accounting estimates and areas of judgement (continued)

#### (ii) 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 Company as lessee, or the lessee, where the Company is a lessor.

### 3. Turnover

Turnover is generated by the principal activity of the company as disclosed in the Directors' Report on page 4.

### 4. Interest payable and similar charges

	2016 £	2015 £
Bank interest	146,434	175,447
Hire purchase	22,144	13,883
	<u>168,578</u>	<u>189,330</u>

### 5. Loss on ordinary activities before tax

Loss on ordinary activities before tax is stated after charging/(crediting):

	2016 £	2015 £
Depreciation of owned fixed assets	641,016	660,554
Depreciation of assets held under hire purchase agreements	152,329	120,486
(Profit)/loss on disposal of fixed assets	(10,003)	3,300
Auditor's remuneration		
- as auditor	20,500	12,000
- non audit services	27,106	9,148
Stock		
- amounts expensed to cost of sales	5,558,620	5,817,041
- impairment losses recognised in cost of sales	80,591	-
Operating lease rentals	175,952	192,676
Share based payments	<u>5,069</u>	<u>3,748</u>

## Notes to the Financial Statements for the Year Ended 31 March 2016

### 6. Particulars of employees

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

	2016	2015
	No	No
Production	18	18
Sales and distribution	32	35
Administration	12	12
Visitor centre	29	31
	<u>91</u>	<u>96</u>

The aggregate payroll costs of the above were:

	2016	2015
	£	£
Wages and salaries	2,468,666	2,469,992
Social security costs	244,154	248,053
Other pension costs	198,287	198,575
	<u>2,911,107</u>	<u>2,916,620</u>

### 7. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2016	2015
	£	£
Remuneration receivable	456,950	445,760
Value of company pension contributions to defined contribution pension schemes	58,530	55,004
	<u>515,480</u>	<u>500,764</u>

#### Remuneration of highest paid director:

	2016	2015
	£	£
Total remuneration	97,697	94,411
Value of company pension contributions to defined contribution pension schemes	13,950	13,377
	<u>111,647</u>	<u>107,788</u>

The director did not exercise any share options during the period.

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

	2016	2015
	No	No
Defined contribution pension schemes	<u>5</u>	<u>5</u>

## Notes to the Financial Statements for the Year Ended 31 March 2016

### 8. Taxation on ordinary activities

#### (a) Analysis of charge in the year

	2016 £	2015 £
In respect of the year:		
UK Corporation tax charge at 20% (2015 - 20%)	(12,703)	12,762
Over provision in prior year	(58)	(9,573)
Total current tax	<u>(12,761)</u>	<u>3,189</u>
Deferred tax:		
Origination and reversal of timing differences	(73,375)	(11,572)
Effect of changes in the rate of tax	(60,696)	-
Over provision in prior year	58	-
Total deferred tax (note 17)	<u>(134,013)</u>	<u>(11,572)</u>
Tax on loss on ordinary activities	<u>(146,774)</u>	<u>(8,383)</u>

#### (b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 20% (2015 - 20%).

	2016 £	2015 £
Loss on ordinary activities before taxation	<u>(605,343)</u>	<u>(34,340)</u>
Loss on ordinary activities by rate of tax	(121,069)	(6,868)
Effects of:		
Items not deductible for tax purposes	5,975	6,112
Adjustments to tax charge in previous periods	(58)	(9,573)
Other short term timing differences	(2,332)	1,946
Amounts relating to change in tax rates	(60,696)	-
Fixed asset differences	31,406	-
Total tax expense (note 8(a))	<u>(146,774)</u>	<u>(8,383)</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.

## Notes to the Financial Statements for the Year Ended 31 March 2016

### 9. Tangible fixed assets

	Freehold Property £	Plant & Machinery £	Motor Vehicles £	Total £
<b>Cost</b>				
At 31 March 2015	8,232,893	7,020,897	550,860	15,804,650
Additions	-	580,061	5,680	585,741
Disposals	-	(745)	-	(745)
At 31 March 2016	<u>8,232,893</u>	<u>7,600,213</u>	<u>556,540</u>	<u>16,389,646</u>
<b>Depreciation</b>				
At 31 March 2015	1,502,577	4,834,605	320,976	6,658,158
Charge for the year	158,361	561,817	73,167	793,345
Disposals	-	(745)	-	(745)
At 31 March 2016	<u>1,660,938</u>	<u>5,395,677</u>	<u>394,143</u>	<u>7,450,758</u>
<b>Net book value</b>				
At 31 March 2016	<u>6,571,955</u>	<u>2,204,536</u>	<u>162,397</u>	<u>8,938,888</u>
At 31 March 2015	<u>6,730,316</u>	<u>2,186,292</u>	<u>229,884</u>	<u>9,146,492</u>

#### Hire purchase agreements

Included within the net book value of £8,938,888 is £604,425 (2015 - £372,200) 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 £152,329 (2015 - £120,887).

### 10. Stocks

	2016 £	2015 £
Raw materials and consumables	540,343	602,529
Finished goods and goods for resale	570,290	769,671
	<u>1,110,633</u>	<u>1,372,200</u>

### 11. Debtors

	2016 £	2015 £
Trade debtors	2,696,406	3,293,700
Other debtors	3,673	8,348
Prepayments	66,149	166,680
Corporation tax	803	-
	<u>2,767,031</u>	<u>3,468,728</u>

## Notes to the Financial Statements for the Year Ended 31 March 2016

### 12. Creditors: Amounts falling due within one year

	2016 £	2015 £
Bank loans and overdrafts (note 15)	2,116,479	2,627,647
Trade creditors	1,384,645	1,510,840
Corporation tax	-	12,761
Other taxation and social security	709,924	767,094
Hire purchase agreements (note 15)	216,187	118,691
Other creditors	59,907	31,195
Accruals	346,921	237,237
	<u>4,834,063</u>	<u>5,305,465</u>

### 13. Creditors: Amounts falling due after more than one year

	2016 £	2015 £
Bank loans (note 15)	906,855	1,148,828
Hire purchase agreements (note 15)	368,237	235,219
	<u>1,275,092</u>	<u>1,384,047</u>
Other creditors	30,495	31,602
	<u>1,305,587</u>	<u>1,415,649</u>

### 14. Financial Instruments

The carrying amount of the Company's financial instruments at 31 March 2016 were

Financial Assets	2016 £	2015 £
Debt instruments measured at amortised cost (trade debtors)	2,696,406	3,293,700
<b>Total</b>	<u>2,696,406</u>	<u>3,293,700</u>
Financial Liabilities	2016 £	2015 £
Measured at amortised cost (trade creditors, accruals, finance lease payables, bank overdrafts and loans)	5,339,324	5,878,462
<b>Total</b>	<u>5,339,324</u>	<u>5,878,462</u>

## Notes to the Financial Statements for the Year Ended 31 March 2016

### 15. Borrowings

Amounts repayable:

	Bank loans and overdrafts £	Hire purchase contracts £	Total £
<b>As at 31 March 2016</b>			
Amounts payable within 1 year	2,116,479	216,187	2,332,666
Amounts payable between 1 and 2 years	211,892	206,118	418,010
Amounts payable between 2 and 5 years	502,089	162,119	664,208
Amounts payable after more than 5 years	192,874	-	192,874
	<u>3,023,334</u>	<u>584,424</u>	<u>3,607,758</u>
	Bank loans and overdrafts £	Hire purchase contracts £	Total £
<b>As at 31 March 2015</b>			
Amounts payable within 1 year	2,627,647	118,691	2,746,338
Amounts payable between 1 and 2 years	241,956	116,153	358,109
Amounts payable between 2 and 5 years	560,587	119,066	679,653
Amounts payable after more than 5 years	346,285	-	346,285
	<u>3,776,475</u>	<u>353,910</u>	<u>4,130,385</u>

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

The bank facilities 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.

### 16. Pensions

#### Defined contribution pension scheme

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £198,287 (2015 - £198,575). Contributions totalling £19,665 (2015 - £19,018) were payable to the scheme at the end of the period and are included in creditors.



## Notes to the Financial Statements for the Year Ended 31 March 2016

### 17. Deferred taxation

Provision for deferred tax has been made as follows:

	2016 £	2015 £
Deferred tax liabilities	487,328	610,703
Deferred tax assets	(21,593)	(10,955)
Net position at 31 March	<u>465,735</u>	<u>599,748</u>

The deferred tax asset of £21,593 (2015 - £10,955) relates to short term timing differences.

The deferred tax liability of £487,328 (2015 - £610,703) relates to accelerated capital allowances.

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

	2016 £	2015 £
<b>Deferred tax liabilities:</b>		
Accelerated capital allowances	<u>487,328</u>	<u>610,703</u>
<b>Deferred tax assets:</b>		
Other timing differences	<u>21,593</u>	<u>10,955</u>

The movement in the deferred taxation provision during the year was:

	2016 £	2015 £
At 31 March 2015	599,748	611,320
Profit and loss account movement during the year	(134,013)	(11,572)
At 31 March 2016	<u>465,735</u>	<u>599,748</u>

Deferred tax is provided at 18% (2015 - 20%).

## Notes to the Financial Statements for the Year Ended 31 March 2016

### 18. Share capital

#### Authorised share capital:

	2016 £	2015 £
Ordinary shares of £1 each	<u>2,750,000</u>	<u>2,750,000</u>

#### Allotted, called up and fully paid:

	2016 No	£	2015 No	£
Ordinary shares of £1 each	<u>2,117,172</u>	<u>2,117,172</u>	<u>2,117,172</u>	<u>2,117,172</u>

During the year, there were no £1 Ordinary shares issued on the exercise of share options.

The following options were outstanding under HMRC approved option schemes at 31 March 2016:

	Ordinary shares	Price £	Date of exercise
SAYE Scheme 18	12,662	2.60	August 2016
SAYE Scheme 19	20,136	2.60	November 2017
SAYE Scheme 20	21,900	2.53	January 2019
EMI Scheme 3	16,000	3.98	October 2012 – October 2019
EMI Scheme 4	16,000	3.68	June 2013 – June 2020
EMI Scheme 5	16,000	4.30	July 2014 – July 2021

#### Shareholders breakdown

Shares held at 1 June 2016	Number of Shareholders	%	% holding in the company
1 – 1,000	880	72	17
1,001 – 5,000	289	24	34
5,001 and above	51	4	49
	<u>1,220</u>	<u>100</u>	<u>100</u>

## Notes to the Financial Statements for the Year Ended 31 March 2016

### 18. Share capital (continued)

#### Directors' share options

	At 01/04/15	Forfeited	At 31/03/16	Exercise price	Date from which exercisable	Expiry date
<b>P F Theakston</b>						
SAYE Scheme 17	933	(933)	-	£3.47		08/15
SAYE Scheme 18	830	-	830	£2.60		08/16
<b>R J Theakston</b>						
SAYE Scheme 17	518	(518)	-	£3.47		08/15
SAYE Scheme 18	2,076	-	2,076	£2.60		08/16
EMI Scheme 3	4,000	-	4,000	£3.98	10/12	10/19
EMI Scheme 4	4,000	-	4,000	£3.68	06/13	06/20
EMI Scheme 5	4,000	-	4,000	£4.30	07/14	07/21
<b>S J Constable</b>						
SAYE Scheme 18	2,076	-	2,076	£2.60		08/16
SAYE Scheme 19	4,153	-	4,153	£2.60		11/17
EMI Scheme 3	4,000	-	4,000	£3.98	10/12	10/19
EMI Scheme 4	4,000	-	4,000	£3.68	06/13	06/20
EMI Scheme 5	4,000	-	4,000	£4.30	07/14	07/21
<b>A Dunn</b>						
SAYE Scheme 18	1,384	-	1,384	£2.60		08/16
EMI Scheme 3	4,000	-	4,000	£3.98	10/12	10/19
EMI Scheme 4	4,000	-	4,000	£3.68	06/13	06/20
EMI Scheme 5	4,000	-	4,000	£4.30	07/14	07/21
<b>J F Theakston</b>						
SAYE Scheme 17	1,556	(1,556)	-	£3.47		08/15
EMI Scheme 3	4,000	-	4,000	£3.98	10/12	10/19
EMI Scheme 4	4,000	-	4,000	£3.68	06/13	06/20
EMI Scheme 5	4,000	-	4,000	£4.30	07/14	07/21
<b>J A Theakston (resigned 31 May 2016)</b>						
SAYE Scheme 17	2,593	(2,593)	-	£3.47		08/15

### 19. Loss per share

The loss per share of 21.8p (2015: loss of 1.2p) has been calculated on a loss of £460,660 (2015 loss: £25,957) and on a weighted average number of shares of 2,116,823 (2015: 2,117,172). No material difference exists between dilutive EPS and basic EPS.

### 20. Reserves

Reserves of the Company represent the following:

#### *Share premium*

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

#### *Share options reserve*

The cumulative share-based payment expense.

#### *Profit and loss reserve*

Cumulative profit and loss net of distributions to owners.

## Notes to the Financial Statements for the Year Ended 31 March 2016

### 21. Notes to the cash flow statement

#### Reconciliation of loss after tax to net cash generated from operations

	2016 £	2015 £
Loss after tax	(460,660)	(25,957)
Depreciation of tangible fixed assets	793,345	781,040
Share based payment expense	5,069	3,748
(Gain) / Loss on disposal of fixed assets	(10,003)	3,300
Interest payable	168,578	189,330
Decrease in provisions	(134,013)	(11,572)
Taxation	(12,761)	3,189
Operating cash flows before movements in working capital	349,555	943,078
Decrease/(Increase) in stocks	261,567	(13,791)
Decrease/(Increase) in debtors	702,500	(852,228)
(Decrease)/increase in creditors	(46,076)	253,264
Cash generated from operations	<u>1,267,546</u>	<u>330,323</u>

#### Cash and Cash Equivalents

	2016 £	2015 £
Cash at cash equivalents represent:-		
Cash in hand and at bank	6,295	6,495
Bank overdrafts	(1,874,512)	(2,344,760)
	<u>(1,868,217)</u>	<u>(2,338,265)</u>

### 22. Capital commitments and other contractual obligations

#### Capital commitments

There were no capital commitments at 31 March 2016.

#### Financial commitments

As in previous years, the company has entered into agreements to purchase hops in the future over the next 4 years. The commitment at 31 March 2016 amounted to £875,425 (2015: £1,004,838) with an amount of £421,055 (2015: £309,683) due within the next 12 months.

### 23. Commitments under operating leases

#### The Company as a lessee:

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2016 £	2015 £
Within one year	100,165	107,200
Between one and five years	78,403	100,666
	<u>178,568</u>	<u>207,866</u>

## Notes to the Financial Statements for the Year Ended 31 March 2016

### 24. 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 18. 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:

	2016		2015	
	Shares under option	Weighted average exercise price	Shares under option	Weighted average exercise price
Outstanding at beginning of year	106,034	£3.35	102,896	£3.55
Granted during the year	21,900	£2.60	28,440	£2.60
Forfeited during the year	(25,236)	£3.12	(24,256)	£3.32
Exercised during the year	-	-	(1,046)	£3.45
Outstanding at the end of the year	<u>102,698</u>	£3.23	<u>106,034</u>	£3.35
Exercisable at the end of the year	<u>48,000</u>	£3.99	<u>48,000</u>	£3.99

The weighted average fair value of options granted in the year was determined using a systematic and objective model.

The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

Non-vesting conditions and market conditions are taken into account when estimating the fair value of the option at grant date. Service conditions and non-market performance conditions are taken into account by adjusting the number of options expected to vest at each reporting date.

### 25. Remuneration of key management personnel

The total remuneration of the directors, who are considered to be the key management personnel of the Company, was £565,301 (2015 – £549,400).

## Notes to the Financial Statements for the Year Ended 31 March 2016

### 26. First time adoption of FRS 102

Reconciliations and descriptions of the effect of the transition to FRS 102 on: (i) equity at the date of transition to FRS 102; (ii) equity at the end of the comparative period; and (iii) profit or loss for the comparative period reported under previous UK GAAP are given below.

Under FRS 102, the Statement of Cash Flows presents changes in cash and cash equivalents (which include cash in hand, deposits repayable on demand and overdrafts and short-term, highly liquid investments), showing changes arising from operating activities, investing activities and financing activities separately. Under previous UK GAAP, the Cash Flow Statement presented changes in cash (which includes cash in hand, deposits repayable on demand and overdrafts) under the headings of operating activities, returns on investments and servicing of finance, taxation, capital expenditure and financial investment, acquisitions and disposals, equity dividends paid, management of liquid resources, and financing.

#### RECONCILIATIONS OF EQUITY

	Notes	At 1 April 2014 £	At 31 March 2015 £
Equity as previously reported under previous UK GAAP		6,712,794	6,694,193
Holiday pay accrual	1	(28,291)	(28,291)
Reclassification of leases	2	-	-
Deferred taxation impact of FRS 102 adjustments	3	7,151	7,151
Equity reported under FRS 102		<u>6,691,654</u>	<u>6,673,053</u>

## Notes to the Financial Statements for the Year Ended 31 March 2016

### 26. First time adoption of FRS 102 (continued)

#### RECONCILIATIONS OF PROFIT OR LOSS

	Notes	2015 £
Profit or loss as previously reported under previous UK GAAP		(25,957)
Reclassification of leases	2	-
		<hr/>
Profit or loss reported under FRS 102		(25,957) <hr/>

#### 1. Holiday pay accrual

The company is required to accrue for unused holiday under FRS 102. At transition an accrual of £28,291 was booked to the profit and loss account. There was no movement in the accrual during the year ended 31 March 2015.

#### 2. Reclassification of leases

On the transition to FRS 102 the company reviewed its leases and concluded that leased for costs previously accounted for as operating leases would be finance leases under the requirements of FRS 102.

The impact was to capitalise a fixed asset of £112,142 and hire purchase liability on transition. The impact on the year ended 31 March 2015 was as follows:

	2015 £
Reduce operating lease change	33,420
Increase depreciation	(25,998)
Increase interest	(7,422)
	<hr/>
Net impact on profit and loss	-
	<hr/>

#### 3. Deferred taxation

A deferred tax asset of £7,151 was recognised on transition on the holiday pay accrual.

There are no impacts on deferred tax for the year ended 31 March 2015.