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**THE BLACK SHEEP BREWERY PLC**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2014**

**Company Registration Number 02686985**

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**THE BLACK SHEEP BREWERY PLC**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2014**

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**THE BLACK SHEEP BREWERY PLC**  
**OFFICERS AND PROFESSIONAL ADVISERS**  
**YEAR ENDED 31 MARCH 2014**

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<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) Anthony Robinson (Non-Executive) John Theakston (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>Auditors</b>	Baker Tilly UK Audit LLP 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

# THE BLACK SHEEP BREWERY PLC

## CHAIRMAN'S STATEMENT

YEAR ENDED 31 MARCH 2014

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In my Chairman's statement last year, I spoke of my perverse optimism for Black Sheep in the face of a very substantial trading loss for the 12/13 year. Perhaps optimism can be defined as being positively hopeful about something before it has happened. If that's the case, then Rob Theakston and his team have transformed that optimism into the reality of turning the Black Sheep round and setting it back on the path to proper profitability.

This has meant progressively repositioning Black Sheep in the market. We have had to accept the fact that the cask market is now seriously fragmented, very competitive, and that new styles and varieties of beer are the order of the day. We are striving to maintain or even increase our current cask volumes, but this market remains very challenging. However, the on trade still has opportunity for us, and the brewing team have been creating a succession of interesting and innovative new cask beers to match the desires of the cask market of today. The launch of Black Sheep keg beer during the year gives us another major shot in the locker in the on trade to complement our cask sales. With 50% of the national beer market lying in the off trade, we see great opportunity for future growth. Having developed a very professional approach to the off trade, we have achieved year on year double digit growth in volumes and an increase in trading margins in this market.

Our recovery plan at the start of the 13/14 year had a two year timescale; the 13/14 year would see us deliver a loss much closer to break even, and the 14/15 year would see us solidly back in profit. The first half of this plan has been delivered. Operating profit has recovered from a £537,000 loss in 12/13 to a £19,000 profit in this 13/14 year. I am glad to be able to say that after three months of trading in the current year, we are on track to deliver our planned return to profitability.

We do not feel that it is yet time to resume a dividend payment, given the need to reinvest all the cash we generate back into the business. I trust that shareholders will agree that when we have delivered a solidly profitable year will be the time to consider resuming dividends.

At the end of March 2014, John Lindop retired as a Non Executive Director. John was working for Wise Speke all those years ago when he was approached by yours truly with the mad idea of creating a brewery, and was instrumental in putting together the original BES scheme which enabled the birth of Black Sheep. He became a Non Executive Director of Black Sheep from the start for several years, before moving on to be Finance Director of Cranswick plc. When he retired from Cranswick, we were delighted to welcome him back to Black Sheep. We wish him well in full retirement, and I would like to record my thanks to him for his wise advices and support throughout the life of Black Sheep Brewery.

And last but far from least I want to thank everybody at Black Sheep for their unstinting effort during the year. Most especially, I have thanks and appreciation for Rob Theakston, Alan Dunn, Steve Constable and Jo Theakston as the Executive Directors of Black Sheep, for the massive amount of effort and skill they are demonstrating in bringing Black Sheep Brewery around from a very difficult period. Rob particularly has taken over my former role with a determination to make Black Sheep succeed that puts my efforts over the years into the shade, and he has my admiration and thanks for his commitment to the Black Sheep cause.

Paul Theakston  
Chairman  
22 July 2014



# THE BLACK SHEEP BREWERY PLC

## MANAGING DIRECTORS' REPORT

YEAR ENDED 31 MARCH 2014

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This has been a year of consolidation, in which we have started to see the benefits of the positive changes we made during the challenging previous financial year including focussing our sales effort on the buoyant sectors of the market. The brewing landscape continues to evolve, and the pressures that we find ourselves under are still the same as we have felt over the last two to three years, but the difference now is that we are driving forward on a path we are confident will bring Black Sheep back to a sensible level of profitability.

How is our recovery progressing? We have seen our turnover reduce through the course of the year to £18.4m which is a 2.1% decrease on the previous year. Within that, we have seen some significant changes in overall sales mix, particularly the on trade / off trade split, as the off trade has grown its share within the business to 32% from 26% in the previous year and we have reinforced that by refreshing the Black Sheep Ale label. This is underpinning solid year on year volume growth of around 15%. The on trade remains a challenge and particularly for cask Best Bitter, but we have countered that with a solid seasonal cask range of beers, produced as a result of the 5 barrel micro plant that we installed in 2013, giving quality and consistency across a wide variety of beer styles. In addition, our keg Best Bitter roll out through the second half of the year has been very positively received and is starting to deliver some good volume in the sort of venues that in the past have not suited cask beer such as hotels and sports clubs. This is an additional and completely fresh market for us.

Overhead management has been critical throughout the year, and we have challenged ourselves to run the business in the most efficient ways possible, and put resource into the areas we feel will bring maximum benefit to the company. Through the course of the year we have delivered an annual overhead saving of just over £500,000 excluding exceptionals and one offs, which has been an incredible effort from everyone in the business.

The overall result of this effort is that we have seen the loss before tax of £740,000 in the last financial year reduced to a loss before tax for this current financial year of £182,000. As I have said before our full recovery is going to take some time, but at the time of printing these accounts we are on course to deliver our budgeted profit in the current financial year ending March 2015.

It would not be a Black Sheep report without some mention of duty, and we saw the unprecedented move by the Chancellor to reduce duty by 1p per pint. We of course passed this on to our customers in full. That said, the burden that the government puts on our industry in tax is still significant and our own duty burden was just over £7.5m for the financial year. Changing Progressive Beer Duty remains high on the priority list for brewers of our size and we continue to lobby for sensible ways to evolve the current structure to allow all brewers, both large and small, to benefit in some small way from this tax relief that is currently distorting the pricing in the market. I urge the government to keep the focus on beer duty and help one of the oldest manufacturing industries in the country to flourish.

It remains a challenging market but the changes that we have made, and will continue to make, give us an exciting future. Everyone has given 100 percent over the course of the year to help move us towards our goals and it is thanks to this commitment, often in the face of difficult decisions, that I believe will make this business a success in the years to come. I would like to thank every single person that works for Black Sheep and every single shareholder for supporting us through these times, because you all make the difference and I look forward to sharing a well earned pint with you at the AGM in September.

Robert Theakston  
Managing Director  
22 July 2014



# THE BLACK SHEEP BREWERY PLC

## THE DIRECTORS' REPORT

YEAR ENDED 31 MARCH 2014

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The directors present their report and the financial statements of the company for the year ended 31 March 2014.

### 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 £84,118. Particulars of dividends paid and proposed are detailed in note 8 to the financial statements. Further details on results are provided in the profit and loss account on page 8 and in the five year summary on page 24 which includes key performance indicators.

### 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 31 March 2014	At 1 April 2013
Paul Theakston (Chairman)	144,844	151,678
Robert Theakston (Managing Director)	6,256	943
Stephen Constable (Finance Director)	7,484	5,984
Alan Dunn (Production Director)	2,541	1,541
Jo Theakston (Sales & Marketing Director)	11,050	8,916
Anthony Robinson (Non-Executive)	24,791	22,791
John Theakston (Non-Executive)	52,633	46,633
John Lindop (Non-Executive) (resigned 31 March 2014)	5,573	5,573

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 2014 was 28 days (2013 - 25).

# THE BLACK SHEEP BREWERY PLC

## THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 MARCH 2014

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### 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 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 22 July 2014

# THE BLACK SHEEP BREWERY PLC

## THE STRATEGIC REPORT

YEAR ENDED 31 MARCH 2014

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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 24.

### **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. In addition the company utilises interest rate swaps to hedge exposure to interest rate fluctuations.



**Stephen Constable**

Company Secretary

Approved by the directors on 22 July 2014



# THE BLACK SHEEP BREWERY PLC

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BLACK SHEEP BREWERY PLC REGISTRATION NUMBER:02686985

YEAR ENDED 31 MARCH 2014

We have audited the financial statements on pages 8 to 23. 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 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 2014 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 Strategic Report and the Directors' 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.



BAKER TILLY UK AUDIT LLP

Neil Sevitt (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

Chartered Accountants

2 Whitehall Quay

Leeds

LS1 4HG

24 July 2014

**THE BLACK SHEEP BREWERY PLC**  
**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2014**

	Note	2014 £	2013 £
<b>Turnover</b>		18,400,928	18,792,856
<b>Cost of sales</b>		(13,686,355)	(13,938,050)
<b>Gross profit</b>		<u>4,714,573</u>	<u>4,854,806</u>
Distribution costs		(3,036,898)	(3,321,797)
Administrative expenses		<u>(1,658,736)</u>	<u>(2,070,059)</u>
<b>Operating profit/(loss)</b>	2	18,939	(537,050)
Interest payable and similar charges	4	(200,526)	(203,176)
<b>Loss on ordinary activities before taxation</b>		<u>(181,587)</u>	<u>(740,226)</u>
Tax on loss on ordinary activities	7	97,469	173,500
<b>Loss for the financial year</b>		<u><u>(84,118)</u></u>	<u><u>(566,726)</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 BLACK SHEEP BREWERY PLC**  
**BALANCE SHEET AS AT 31 MARCH 2014**

	Note	2014 £	2013 £
<b>Fixed assets</b>			
Tangible assets	9	9,566,430	9,984,007
<b>Current assets</b>			
Stocks	10	1,358,409	1,224,616
Debtors	11	2,616,500	2,685,962
Cash at bank		7,688	5,366
		<u>3,982,597</u>	<u>3,915,944</u>
<b>Creditors: Amounts falling due within one year</b>	12	<u>(4,535,220)</u>	<u>(4,603,386)</u>
<b>Net current liabilities</b>		(552,623)	(687,442)
<b>Total assets less current liabilities</b>		<u>9,013,807</u>	<u>9,296,565</u>
<b>Creditors: Amounts falling due after more than one year</b>	13	(1,682,542)	(1,784,423)
<b>Provisions for liabilities</b>			
Deferred taxation	16	(618,471)	(733,901)
		<u>6,712,794</u>	<u>6,778,241</u>
<b>Capital and reserves</b>			
Called-up share capital	18	2,116,126	2,112,572
Share premium account	20	1,160,065	1,153,099
Share options reserve	20	138,117	284,633
Profit and loss account	20	3,298,486	3,227,937
<b>Shareholders' funds</b>	21	<u>6,712,794</u>	<u>6,778,241</u>

These financial statements on pages 8 to 23 were approved by the directors and authorised for issue on 22 July 2014 and are signed on their behalf by:

**Robert Theakston**  
Director



Registered number: 02686985

# THE BLACK SHEEP BREWERY PLC

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

		2014		2013	
	Note	£	£	£	£
<b>Net cash inflow from operating activities</b>	22		406,829		523,684
<b>Returns on investments and servicing of finance</b>					
Interest paid		(193,005)		(189,392)	
Interest element of hire purchase		(7,521)		(13,784)	
<b>Net cash outflow from returns on investments and servicing of finance</b>			(200,526)		(203,176)
<b>Taxation</b>			34,826		(128,999)
<b>Capital expenditure</b>					
Payments to acquire tangible fixed assets		(410,671)		(510,670)	
Receipts from sale of fixed assets		380,927		43,064	
<b>Net cash outflow from capital expenditure</b>			(29,744)		(467,606)
<b>Equity dividends paid</b>			-		(189,752)
<b>Cash inflow/(outflow) before financing</b>			211,385		(465,849)
<b>Financing</b>					
Issue of equity share capital		3,554		74,256	
Share premium on issue of equity share capital		6,966		105,970	
New bank loans		200,000		300,000	
Repayment of bank loans		(541,635)		(426,764)	
Capital element of hire purchase		(227,595)		(381,800)	
<b>Net cash outflow from financing</b>			(558,710)		(328,338)
<b>Decrease in cash</b>	22		(347,325)		(794,187)

### Reconciliation of net cash flow to movement in net debt

		2014		2013	
		£	£	£	£
Decrease in cash in the period		(347,325)		(794,187)	
Net cash outflow from bank loans		341,635		126,764	
Cash outflow in respect of hire purchase		227,595		381,800	
Change in net debt resulting from cash flows			221,905		(285,623)
New finance leases			(230,431)		(151,029)
Movement in net debt in the period			(8,526)		(436,652)
Net debt at 1 April 2013			(3,889,985)		(3,453,333)
<b>Net debt at 31 March 2014</b>	22		(3,898,511)		(3,889,985)

# THE BLACK SHEEP BREWERY PLC

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2014

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### 1. Accounting policies

#### **Basis of accounting**

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

The company recorded a loss for the year ended 31 March 2014 of £84,118. The Chairman's Statement and Managing Director's report set out in more detail the result for the year to 31 March 2014 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.

The company's banking facilities are scheduled for annual review in September 2014. Discussions have been held with the company's bankers concerning this forthcoming review and the bank has confirmed that there are no matters arising that it is aware of 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.

#### **Turnover**

Turnover represents sales of goods and services 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 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:

Assets Under the Course of Construction	- nil
Freehold Property	- 50 years
Plant & Machinery	- 3 to 15 years
Motor Vehicles	- 4 to 5 years

#### **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.

# THE BLACK SHEEP BREWERY PLC

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2014

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### **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 defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

### **Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more or a right to pay less tax in the future have occurred by the balance sheet date with certain limited exceptions.

Deferred tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date, except as required by FRS19.

### **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.

# THE BLACK SHEEP BREWERY PLC

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2014

### 2. Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting):

	2014 £	2013 £
Depreciation of owned fixed assets	376,330	556,830
Depreciation of assets held under hire purchase agreements	361,107	248,552
(Profit)/loss on disposal of fixed assets	(59,685)	22,325
Auditor's remuneration		
- as auditor	10,500	9,700
- for other services relating to taxation	2,000	1,900
Operating lease costs:		
-plant and machinery	150,995	104,904
-other	-	193,898
	<u>          </u>	<u>          </u>

### 3. Administrative expenses

In the comparative year, exceptional operating costs of £196,792 consist of £61,041 of redundancy costs incurred during the year and a £135,751 provision for an onerous lease relating to a property that has been vacated. After the 31 March 2014 this lease has been terminated.

### 4. Interest payable and similar charges

	2014 £	2013 £
Bank interest	193,005	189,392
Hire purchase	7,521	13,784
	<u>200,526</u>	<u>203,176</u>

# THE BLACK SHEEP BREWERY PLC

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2014

### 5. Particulars of employees

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

	2014	2013
	No	No
Production	17	18
Sales and distribution	33	35
Administration	11	12
Visitor centre	33	33
	<u>94</u>	<u>98</u>

The aggregate payroll costs of the above were:

	2014	2013
	£	£
Wages and salaries	2,388,673	2,532,442
Social security costs	250,706	258,747
Other pension costs	194,078	200,894
	<u>2,833,457</u>	<u>2,992,083</u>

### 6. Directors' remuneration

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

	2014	2013
	£	£
Remuneration receivable	448,967	529,681
Value of company pension contributions to defined contribution pension schemes	53,400	61,663
	<u>502,367</u>	<u>591,344</u>

#### Remuneration of highest paid director:

	2014	2013
	£	£
Total remuneration	89,912	88,040
Value of company pension contributions to defined contribution pension schemes	12,750	12,469
	<u>102,662</u>	<u>100,509</u>

The director exercised 613 share options during the period.

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

	2014	2013
	No	No
Defined contribution pension schemes	<u>5</u>	<u>6</u>



# THE BLACK SHEEP BREWERY PLC

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2014

### 7. Taxation on ordinary activities

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

	2014 £	2013 £
In respect of the year:		
UK Corporation tax charge at 20% (2013 - 24%)	17,961	-
Over provision in prior year	-	(97,274)
Total current tax	17,961	(97,274)
Deferred tax:		
Origination and reversal of timing differences	(19,704)	(125,257)
Effect of changes in the rate of tax	(95,726)	-
Deferred tax adjustment in respect of previous years	-	49,031
Total deferred tax (note 16)	(115,430)	(76,226)
Tax on loss on ordinary activities	(97,469)	(173,500)

#### (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% (2013 - 24%).

	2014 £	2013 £
Loss on ordinary activities before taxation	(181,587)	(740,226)
Loss on ordinary activities by rate of tax	(36,317)	(177,654)
Effects of:		
Items not deductible for tax purposes	9,589	(8,388)
Losses carried back	-	92,976
Depreciation in excess of capital allowances	44,689	93,066
Adjustments to tax charge in previous periods	-	(97,274)
Total current tax (note 7(a))	17,961	(97,274)

#### (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 2014

### 8. Dividends

#### Equity dividends

	2014 £	2013 £
Paid during the year:		
Ordinary dividend paid - nil (2013: 9p)	-	189,752
Proposed at the year-end (not recognised as a liability):		
Ordinary dividend proposed - nil (2013: nil)	-	-

### 9. Tangible fixed assets

	Assets under the course of construction £	Freehold Property £	Plant & Machinery £	Motor Vehicles £	Total £
<b>Cost</b>					
At 1 April 2013	-	8,232,893	6,719,047	854,908	15,806,848
Additions	235,878	-	141,156	264,068	641,102
Disposals	-	-	(342,316)	(578,368)	(920,684)
At 31 March 2014	235,878	8,232,893	6,517,887	540,608	15,527,266
<b>Depreciation</b>					
At 1 April 2013	-	1,187,240	4,015,929	619,672	5,822,841
Charge for the year	-	157,200	488,045	92,192	737,437
Disposals	-	-	(180,264)	(419,178)	(599,442)
At 31 March 2014	-	1,344,440	4,323,710	292,686	5,960,836
<b>Net book value</b>					
At 31 March 2014	235,878	6,888,453	2,194,177	247,922	9,566,430
At 31 March 2013	-	7,045,653	2,703,118	235,236	9,984,007

#### Hire purchase agreements

Included within the net book value of £9,566,430 is £1,731,493 (2013 - £1,837,375) 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 £361,107 (2013 - £248,552).

### 10. Stocks

	2014 £	2013 £
Raw materials and consumables	557,793	563,350
Finished goods and goods for resale	800,616	661,266
	1,358,409	1,224,616

# THE BLACK SHEEP BREWERY PLC

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2014

### 11. Debtors

	2014 £	2013 £
Trade debtors	2,452,420	2,469,128
Other debtors	13,998	20,352
Prepayments	150,082	158,845
Corporation tax	-	37,637
	<u>2,616,500</u>	<u>2,685,962</u>

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

	2014 £	2013 £
Bank loans and overdrafts	2,177,728	1,958,731
Trade creditors	1,143,360	1,088,156
Corporation tax	15,150	-
Other taxation and social security	773,361	1,008,514
Hire purchase agreements	78,468	185,692
Other creditors	108,256	172,140
Accruals	238,897	190,153
	<u>4,535,220</u>	<u>4,603,386</u>

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

	2014 £	2013 £
Bank loans	1,427,321	1,638,306
Hire purchase agreements	222,682	112,622
	<u>1,650,003</u>	<u>1,750,928</u>
Other creditors	32,539	33,495
	<u>1,682,542</u>	<u>1,784,423</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.

# THE BLACK SHEEP BREWERY PLC

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2014

### 14. Analysis of borrowings

Amounts repayable:

	Bank loans and overdrafts £	Hire purchase contracts £	Total	£
<b>As at 31 March 2014</b>				
Amounts payable within 1 year	2,177,728	78,468	2,256,196	
Amounts payable between 1 and 2 years	278,485	76,274	354,759	
Amounts payable between 2 and 5 years	635,685	146,408	782,093	
Amounts payable after more than 5 years	513,151	-	513,151	
	<u>3,605,049</u>	<u>301,150</u>	<u>3,906,199</u>	

	Bank loans and overdrafts £	Hire purchase contracts £	Total	£
<b>As at 31 March 2013</b>				
Amounts payable within 1 year	1,958,731	185,692	2,144,423	
Amounts payable between 1 and 2 years	229,400	32,073	261,473	
Amounts payable between 2 and 5 years	688,199	80,549	768,748	
Amounts payable after more than 5 years	720,707	-	720,707	
	<u>3,597,037</u>	<u>298,314</u>	<u>3,895,351</u>	

### 15. 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 £194,078 (2013 - £200,894). Contributions totalling £18,755 (2013 - £20,128) 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 2014

### 16. Deferred taxation

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

	2014 £	2013 £
At 1 April 2013	733,901	810,127
Profit and loss account movement during the year	(115,430)	(76,226)
At 31 March 2014	<u>618,471</u>	<u>733,901</u>

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

	2014 £	2013 £
Accelerated capital allowances	621,627	738,530
Other timing differences	(3,156)	(4,629)
	<u>618,471</u>	<u>733,901</u>

Deferred tax is provided at 20% (2013 - 23%).

### 17. 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:

	2014		2013	
	Shares under option	Weighted average exercise price	Shares under option	Weighted average exercise price
Outstanding at beginning of year	160,798	£3.55	251,401	£3.08
Granted during the year	20,495	£2.60	32,342	£3.47
Forfeited during the year	(74,843)	£3.31	(48,689)	£2.77
Exercised during the year	(3,554)	£2.96	(74,256)	£2.43
Outstanding at the end of the year	<u>102,896</u>	£3.55	<u>160,798</u>	£3.55
Exercisable at the end of the year	<u>32,000</u>	£3.06	<u>40,840</u>	£3.59

# THE BLACK SHEEP BREWERY PLC

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2014

### 17. Share-based payments (*continued*)

The weighted average share price at the date of exercise for share options exercised during the year was £2.96. The options outstanding at 31 March 2014 had a weighted average exercise price of £3.69, and a weighted average remaining contractual life of 4.0 years.

A charge has been made relating to the share based payments in accordance with FRS20. No disclosure has been made for this on the grounds of materiality.

### 18. Share capital

#### Authorised share capital:

	2014 £	2013 £
Ordinary shares of £1 each	<u>2,750,000</u>	<u>2,750,000</u>

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

	2014		2013	
	No	£	No	£
Ordinary shares of £1 each	<u>2,116,126</u>	<u>2,116,126</u>	<u>2,112,572</u>	<u>2,112,572</u>

During the year 3,554 £1 Ordinary shares were issued on the exercise of share options.

The market price of the shares at 31 March 2014 was £3.00 (2013 - £3.25).

The following options were outstanding under HMRC approved option schemes at 31 March 2014:

	Ordinary shares	Price £	Date of exercise
SAYE Scheme 16	14,639	3.45	August 2014
SAYE Scheme 17	21,976	3.47	August 2015
SAYE Scheme 18	18,281	2.60	August 2016
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 2 June 2014	Number of Shareholders	%	% holding in the company
1 – 1,000	871	72	17
1,001 – 5,000	286	24	33
5,001 and above	53	4	50
	<u>1,210</u>	<u>100</u>	<u>100</u>

# THE BLACK SHEEP BREWERY PLC

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2014

### Directors' share options

	At 01/04/13	Granted	Exercised	Forfeited	At 31/03/14	Exercise price	Market price at date of exercise	Date from which exercisable	Expiry date
<b>P F Theakston</b>									
SAYE Scheme 15	735	-	-	(735)	-	£2.96			07/13
SAYE Scheme 16	1,046	-	-	-	1,046	£3.45			08/14
SAYE Scheme 17	933	-	-	-	933	£3.47			08/15
SAYE Scheme 18	-	830	-	-	830	£2.60			08/16
EMI Scheme 2	5,750	-	-	(5,750)	-	£3.22		11/06	11/13
EMI Scheme 5	4,000	-	-	(4,000)	-	£4.30		07/14	07/21
<b>R J Theakston</b>									
SAYE Scheme 15	613	-	(613)	-	-	£2.96	£3.00		07/13
SAYE Scheme 16	523	-	-	-	523	£3.45			08/14
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 15	1,839	-	-	(1,839)	-	£2.96			07/13
SAYE Scheme 16	523	-	-	-	523	£3.45			08/14
SAYE Scheme 17	518	-	-	-	518	£3.47			08/15
SAYE Scheme 18	-	2,076	-	-	2,076	£2.60			08/16
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
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 D Lindop (resigned)</b>									
SAYE Scheme 15	2,452	-	-	(2,452)	-	£2.96			07/13
<b>A J Robinson</b>									
SAYE Scheme 15	3,065	-	-	(3,065)	-	£2.96			07/13
<b>J A Theakston</b>									
SAYE Scheme 17	2,593	-	-	-	2,593	£3.47			08/15

### 19. Loss per share

The loss per share of 4.0p (2013: loss of 27.1p) has been calculated on a loss of £84,118 (2013 loss: £566,726) and on a weighted average number of shares of 2,115,238 (2013: 2,093,570). No material difference exists between dilutive EPS and basic EPS.

# THE BLACK SHEEP BREWERY PLC

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2014

### 20. Reserves

	Share premium £	Share options reserve £	Profit and loss account £
Balance brought forward	1,153,099	284,633	3,227,937
Loss for the year	-	-	(84,118)
Dividends	-	-	-
New share capital subscribed	6,966	-	-
Share based payment charge	-	8,151	-
Release on lapse or exercise of options	-	(154,667)	154,667
Balance carried forward	<u>1,160,065</u>	<u>138,117</u>	<u>3,298,486</u>

### 21. Reconciliation of movements in shareholders' funds

	2014 £		2013 £	
Loss for the financial year		(84,118)		(566,726)
New share capital	3,554		74,256	
Premium on share capital subscribed	<u>6,966</u>		<u>105,970</u>	
		10,520		180,226
Dividends		-		(189,752)
Share based payment charge		<u>8,151</u>		<u>12,417</u>
Net reduction to shareholders' funds		(65,447)		(563,835)
Opening shareholders' funds		6,778,241		7,342,076
Closing shareholders' funds		<u>6,712,794</u>		<u>6,778,241</u>

### 22. Notes to the cash flow statement

#### Reconciliation of operating profit/(loss) to net cash inflow from operating activities

	2014 £	2013 £
Operating profit/(loss)	18,939	(537,050)
Depreciation	737,437	805,382
(Loss)/profit on disposal of fixed assets	(59,685)	22,325
(Increase)/decrease in stocks	(133,793)	12,495
Decrease in debtors	31,825	75,642
(Decrease)/increase in creditors	(196,045)	132,473
Share based payment charge	<u>8,151</u>	<u>12,417</u>
Net cash inflow from operating activities	<u>406,829</u>	<u>523,684</u>

Included within the 2013 operating loss of £537,050 are £196,792 of exceptional items. A cash outflow of £61,041 was recognised in the period relating to these exceptional items.



# THE BLACK SHEEP BREWERY PLC

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2014

### 22. Notes to the cash flow statement (continued)

#### Analysis of changes in net debt

	At 1 April 2013 £	Cash flows £	Other changes £	At 31 March 2014 £
Net cash:				
Cash in hand and at bank	5,366	2,322	-	7,688
Overdrafts	(1,482,697)	(349,647)	-	(1,832,344)
	<u>(1,477,331)</u>	<u>(347,325)</u>	<u>-</u>	<u>(1,824,656)</u>
Debt:				
Debt due within 1 year	(476,034)	341,635	(210,985)	(345,384)
Debt due after 1 year	(1,638,306)	-	210,985	(1,427,321)
Hire purchase agreements	(298,314)	227,595	(230,431)	(301,150)
	<u>(2,412,654)</u>	<u>569,230</u>	<u>(230,431)</u>	<u>(2,073,855)</u>
Net debt	<u>(3,889,985)</u>	<u>221,905</u>	<u>(230,431)</u>	<u>(3,898,511)</u>

### 23. Commitments under operating leases

At 31 March 2014 the company had annual commitments under non-cancellable operating leases as set out below.

	2014		2013	
	Land and buildings £	Other Items £	Land and buildings £	Other Items £
Operating leases which expire:				
Within 1 year	-	16,712	-	7,016
Within 2 to 5 years	-	<u>115,186</u>	-	<u>74,585</u>

### 24. Other commitments

#### Capital commitments

Amounts contracted for but not provided amounted to £62,695 in respect of future vehicle purchases (2013: £267,414).

#### 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 2014 amounted to £752,875 (2013: £915,314) with an amount of £239,650 (2013: £274,639) due within the next 12 months.