



THE BLACK SHEEP BREWERY PLC
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

Company Registration Number 02686985

THE BLACK SHEEP BREWERY PLC
FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2013

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

THE BLACK SHEEP BREWERY PLC
OFFICERS AND PROFESSIONAL ADVISERS
YEAR ENDED 31 MARCH 2013

The Board of directors	Paul Theakston (Chairman) Robert Theakston (Managing Director) Stephen Constable (Finance Director) Alan Dunn (Production Director) Jo Theakston (Sales & Marketing Director) John Lindop (Non-Executive) Anthony Robinson (Non-Executive) John Theakston (Non-Executive)
Company secretary	Stephen Constable
Registered office	Wellgarth Masham Ripon North Yorkshire HG4 4EN
Stockbrokers	Brewin Dolphin Limited 1 The Avenue Spinningfields Square Manchester M3 3AP
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Auditors	RSM Tenon Audit Limited 2 Wellington Place Leeds LS1 4AP
Bankers	HSBC Bank Plc 34 Westgate Ripon HG4 2BL
Solicitors	Eversheds LLP Bridgewater Place Water Lane Leeds LS11 5DR

THE BLACK SHEEP BREWERY PLC

CHAIRMAN'S STATEMENT

YEAR ENDED 31 MARCH 2013

In the face of reporting a substantial loss for the year, our first since the very early start-up years, it might seem perverse of me to say that I am optimistic about Black Sheep and its prospects for the future

I am optimistic for several reasons. The results this year mask the fact that despite all the adverse conditions for trading for a brewery of our size without a tied estate, as described by Robert Theakston in his MD's report, our total volume sold into local direct trade, wholesalers and takehome declined by only 1.3% year on year, in the face of a 5.1% decline in the national beer market. Our Achilles heel has been in our cask beer sales to the national pub companies, where downsizing of their estates and a policy of buying an increasing proportion of their cask beers from micro brewers, thus taking advantage of a significantly reduced buying in cost through Progressive Beer Duty, has been the order of the day.

My next reason for optimism is the continuing high quality of our beers produced by our Head Brewer Alan Dunn and his team. Outstanding quality is our greatest strength, and you will see that continuing undiminished, together with new and different beers coming along, adapting to the ever changing needs of the market.

Even more optimism comes from my belief in Rob and his management team. Shareholders could not wish for a more dedicated, professional and passionate group of people to take Black Sheep forward. They have been working tirelessly over recent times to take cost out of the business, reshape the direction of sales and set the company on the road back to solid profitability.

It is regretted, but perhaps understandable, that this year we will not declare a dividend. You will understand that in difficult trading times conservation of cash to support the trading activities of the company becomes a high priority. Whilst on the subject of cash, I want to express my appreciation for the continuing strong support of our Bank, demonstrated most recently by the provision of an additional facility to enable us to invest in a new fuel efficient boiler, which will save us a six figure sum annually in our fuel purchases.

This year of all years I would like to thank every single one of Black Sheep's staff for their support and extraordinary efforts during this challenging time. Black Sheep is its people, and we are very lucky to have such a great group of employees so dedicated to making Black Sheep work.

Paul Theakston

Chairman

30th July 2013

THE BLACK SHEEP BREWERY PLC

MANAGING DIRECTOR'S REPORT

YEAR ENDED 31 MARCH 2013

To say that this financial year has been a challenge is a large understatement. We endured the perfect storm from one of the wettest summers on record, the fragile economy, the ever burgeoning micro brewery trade and the effect that has on all the breweries that don't benefit from the Government's Progressive Beer Duty, and the ever changing landscape of the pub trade as pubs disappear and the large multiple pub groups who are still trying to put themselves in a better financial position sell off their estates.

Black Sheep's challenge in all this turmoil has been to try and re-shape ourselves into a business that is more tuned to the fast paced and changing market in which we find ourselves. We have been fortunate to be able to grow organically throughout our 21 year life, but that was in the context of a very different market. The challenge now is to push the business on but be more adaptable and better able to react to future opportunities and threats that may present themselves to us.

We have been working hard over the course of the financial year to effect these changes and return the business to profit. We have made significant strides in taking cost out of the business, not an easy task, as we had done similar in 2008 when the credit crunch first hit, but we must continue to challenge how we structure and run the business. We have been strengthening our sales effort on the more profitable and resilient channels of trade, namely our local direct area, wholesalers and the national off trade. The multiple pub groups are the root cause of our volume deficit this year. Our aim must be to reduce our reliance and sensitivity to this area of trade. This year, given the aggressive driving of Doombar by Coors into the market, and the pub groups buying increasing amounts of micro brewery cask beer we have seen our Best Bitter hit particularly hard, and therefore volumes have dropped away quicker than we have been able to control. As a result during this year we lost just short of 6,000 barrels in the national pubco sector, this represents 90% of our volume drop for the entire year.

We are particularly focussing on the more buoyant parts of the beer market, takehome and export. UK takehome is increasing its overall share of our business with volumes growing 4.4% year on year. The current trend continues with more people drinking at home, and we will continue to drive forward in the takehome market. Black Sheep Ale continues to be our No 1 off trade brand, which sits just outside the top ten in the national Premium Bottled Ale category by volume, and just inside it by value (this means we aren't giving it away!). We are working hard to increase our presence in the takehome sector. We have added All Creatures at 4% ABV to our permanent range and it is performing well with a national listing in Asda. We are looking at pack variants, and are developing a six pack Black Sheep Ale. Due to its popularity we are providing Sainsbury's Celebration Ale again this Christmas for the third year in a row. We have also developed two new own label beers for Morrison's which will be launched in September. Black Sheep Ale in can continues to develop and broaden our brand presence.

We are totally focussed on re-housing profitable volume and controlling further loss of barrelage. Over the course of the year we have reinforced and restructured the sales team, as previously we have been extremely light in representation given our geographical spread. As we push to mitigate the pressure put on the business from the multiple pub groups we have taken the decision to introduce keg Best Bitter. I am aware of the preconceptions surrounding keg but the opportunity the keg market brings is not to be dismissed. It will allow us to reach into the types of venues that can't justify cask beer. There are an awful lot of sports clubs, hotels, restaurants etc that can only take keg beer that we currently can't trade in, and I think that we have an exciting opportunity to push hard in this market. We have also installed a five barrel brew plant to give us flexibility to produce new interesting beers that the current market place demands, and help us add to our seasonal cask beer offerings. We will also be producing Russian Imperial Stout at 7.5% for Christmas which is the first time we have done a specific beer for December alone. Ruddy Ram will be reappearing as our autumn seasonal. I just wanted to say that we remain completely committed to cask beer and will never lose sight of that, but we need to take advantage of other opportunities that present themselves to enable us to take Black Sheep forward.

As you have seen we are showing a loss for the year before tax of £740,000. This includes £197,000 of exceptional items, namely a provision for the remainder of the Well premises lease of £136,000 and

THE BLACK SHEEP BREWERY PLC

MANAGING DIRECTOR'S REPORT

YEAR ENDED 31 MARCH 2013

voluntary redundancy costs of £61,000. This leaves an underlying trading loss of £543,000. Our reduced sales volumes result in a drop in turnover to £18.8 million, down 5.4% on 2012.

It would be remiss of me not to mention duty, and our double shock that the Chancellor finally listened to what I thought was a very joined up industry campaign on the beer duty escalator. He not only abolished the escalator, but also reduced duty by a penny a pint, the first true reduction in beer duty since 1959. For all that, duty still accounts for £8,000,000 of our turnover! We of course passed the reduction on in full to our customers, and let's hope it encourages more people to head out to the pub for a well earned pint.

The trading environment remains challenging. Inevitably, the multiple pub groups remain our principle concern, especially Punch, where there is still no conclusion to their restructure. There remains a constant threat from the micro brewery explosion and the cheap beer that they are able to sell only serves to artificially drag the wholesale price of cask beer down, thus making it very difficult for a brewery paying full duty to be competitive. Nonetheless, we have spent a significant amount of time developing our recovery plans for the next 18 months and we fully expect to turn the business back into a profitable one within that timescale.

I would like to take the opportunity to thank Brian Smith for his work as a director. He stepped down from the Board at the end of March, but remains a valuable part of the sales team. His experience in the trade is second to none and we thank him for his dedication to the cause over three years as a director.

We are fortunate to have a very supportive shareholder group and I look forward to sharing our thoughts with you all at the AGM in September.

Robert Theakston
Managing Director
30th July 2013

THE BLACK SHEEP BREWERY PLC

THE DIRECTORS' REPORT

YEAR ENDED 31 MARCH 2013

The directors present their report and the financial statements of the company for the year ended 31 March 2013

Principal activities and business review

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 £566,726. 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 9 and in the five year summary on page 25 which includes key performance indicators.

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.

THE BLACK SHEEP BREWERY PLC

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 MARCH 2013

Employee savings related share option scheme

Subsequent to the year end the Board has established an eighteenth Inland Revenue approved SAYE scheme for 20,495 ordinary shares which has been taken up by 22 employees. Options have been granted at a share price of £2.60 exercisable at the end of 3 years.

The directors and their interests in the shares of the company

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

	Ordinary Shares of £1 each	
	At 31 March 2013	At 1 April 2012
Paul Theakston (Chairman)	151,678	147,161
Robert Theakston (Managing Director)	943	100
Stephen Constable (Finance Director)	5,984	5,141
Alan Dunn (Production Director)	1,541	698
Brian Smith (resigned 28 th March 2013)	3,337	2,494
Jo Theakston (Sales & Marketing Director)	8,916	4,700
John Lindop (Non-Executive)	5,573	5,573
Anthony Robinson (Non-Executive)	22,791	22,791
John Theakston (Non-Executive)	46,633	42,417

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 2013 was 44 days (2012 - 40).

THE BLACK SHEEP BREWERY PLC

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 MARCH 2013

Directors' responsibilities

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

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

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

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

In so far as the directors are, individually, aware

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

Auditor

A resolution for the reappointment of RSM Tenon Audit Limited 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 30th July 2013

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 2013

We have audited the financial statements of The Black Sheep Brewery plc for the year ended 31 March 2013 on pages 9 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the annual report, financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2013 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 matters prescribed by the Companies Act 2006

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

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.

Steven Williams, Senior Statutory Auditor
For and on behalf of

Rsm Tenon Audit Limited

RSM Tenon Audit Limited
Statutory Auditor
30 July 2013

2 Wellington Place
Leeds
LS1 4AP

THE BLACK SHEEP BREWERY PLC

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2013

	Note	2013 £	2012 £
Turnover		18,792,856	19,864,376
Cost of sales		(13,938,050)	(14,143,222)
Gross profit		<u>4,854,806</u>	<u>5,721,154</u>
Distribution costs		(3,321,797)	(3,286,659)
Administrative expenses		(2,070,059)	(1,723,976)
Operating (loss)/profit before exceptional items		(340,258)	710,519
Exceptional items	3	(196,792)	-
Operating (loss)/profit	2	<u>(537,050)</u>	710,519
Interest payable and similar charges	4	(203,176)	(206,466)
(Loss)/profit on ordinary activities before taxation		<u>(740,226)</u>	<u>504,053</u>
Tax on (loss)/profit on ordinary activities	7	173,500	(70,630)
(Loss)/profit for the financial year		<u><u>(566,726)</u></u>	<u><u>433,423</u></u>

All of the activities of the company are classed as continuing

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

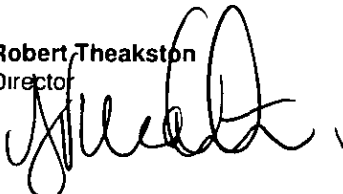
The notes on pages 12 to 24 form part of these financial statements

THE BLACK SHEEP BREWERY PLC
BALANCE SHEET AS AT 31 MARCH 2013

	Note	2013 £	2012 £
Fixed assets			
Tangible assets	9	9,984,007	10,193,079
Current assets			
Stocks	10	1,224,616	1,237,111
Debtors	11	2,685,962	2,723,967
Cash at bank		5,366	4,190
		<u>3,915,944</u>	<u>3,965,268</u>
Creditors Amounts falling due within one year	12	<u>(4,603,386)</u>	<u>(3,975,814)</u>
Net current liabilities		(687,442)	(10,546)
Total assets less current liabilities		<u>9,296,565</u>	<u>10,182,533</u>
Creditors Amounts falling due after more than one year	13	(1,784,423)	(2,030,330)
Provisions for liabilities			
Deferred taxation	16	(733,901)	(810,127)
		<u>6,778,241</u>	<u>7,342,076</u>
Capital and reserves			
Called-up share capital	18	2,112,572	2,038,316
Share premium account	20	1,153,099	1,047,129
Share options reserve	20	284,633	272,216
Profit and loss account	20	3,227,937	3,984,415
Shareholders' funds	21	<u>6,778,241</u>	<u>7,342,076</u>

These financial statements were approved by the directors and authorised for issue on 30th July 2013 and are signed on their behalf by

Robert Theakston
Director



Registered number 02686985

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

THE BLACK SHEEP BREWERY PLC

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

		2013		2012	
	Note	£	£	£	£
Net cash inflow from operating activities	22		523,684		1,119,123
Returns on investments and servicing of finance					
Interest paid		(189,392)		(179,864)	
Interest element of hire purchase		(13,784)		(26,602)	
Net cash outflow from returns on investments and servicing of finance			(203,176)		(206,466)
Taxation			(128,999)		(153,776)
Capital expenditure					
Payments to acquire tangible fixed assets		(510,670)		(206,769)	
Receipts from sale of fixed assets		43,064		54,068	
Net cash outflow from capital expenditure			(467,606)		(152,701)
Equity dividends paid			(189,752)		(183,411)
Cash (outflow)/ inflow before financing			(465,849)		422,769
Financing					
Issue of equity share capital		74,256		31,288	
Share premium on issue of equity share capital		105,970		65,876	
New bank loans		300,000		-	
Repayment of bank loans		(426,764)		(342,848)	
Capital element of hire purchase		(381,800)		(405,113)	
Net cash outflow from financing			(328,338)		(650,797)
Decrease in cash	22		(794,187)		(228,028)

Reconciliation of net cash flow to movement in net debt

		2013		2012	
		£	£	£	£
Decrease in cash in the period		(794,187)		(228,028)	
Net cash outflow from bank loans		126,764		342,848	
Cash outflow in respect of hire purchase		381,800		405,113	
Change in net debt resulting from cash flows			(285,623)		519,933
New finance leases			(151,029)		(280,476)
Movement in net debt in the period			(436,652)		239,457
Net debt at 1 April 2012			(3,453,333)		(3,692,790)
Net debt at 31 March 2013	22		(3,889,985)		(3,453,333)

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

THE BLACK SHEEP BREWERY PLC

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2013

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 as loss for the year ended 31 March 2013 of £566,726. The Chairman's Statement and Managing Director's report on pages 2 to 4 set out in more detail the result for the year to 31 March 2013 as well as 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 2013. 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:

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.

In establishing cost, stocks at the end of the period are taken to represent latest purchases or production. On this basis raw materials are valued at purchase price and 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 2013

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.

Onerous lease

Provisions for onerous leases, measured net of expected rental income, are recognised when the property leased becomes vacant and is no longer used in the operation of the business.

THE BLACK SHEEP BREWERY PLC

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2013

2. Operating (loss)/profit

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

	2013 £	2012 £
Depreciation of owned fixed assets	556,830	492,162
Depreciation of assets held under hire purchase agreements	248,552	250,263
Loss/(profit) on disposal of fixed assets	22,325	(48,260)
Auditor's remuneration		
- as auditor	9,700	9,530
- for other services relating to taxation	1,900	7,950
Operating lease costs		
-plant and machinery	33,040	38,940
-other	265,762	146,071

3. Exceptional operating costs

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

4. Interest payable and similar charges

	2013 £	2012 £
Bank interest	189,392	179,864
Hire purchase	13,784	26,602
	<u>203,176</u>	<u>206,466</u>

THE BLACK SHEEP BREWERY PLC

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2013

5 Particulars of employees

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

	2013	2012
	No	No
Production	18	18
Sales and distribution	35	35
Administration	12	13
Visitor centre	33	35
	<u>98</u>	<u>101</u>

The aggregate payroll costs of the above were

	2013	2012
	£	£
Wages and salaries	2,532,442	2,430,606
Social security costs	258,747	260,437
Other pension costs	200,894	192,171
	<u>2,992,083</u>	<u>2,883,214</u>

6 Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services were

	2013	2012
	£	£
Remuneration receivable	529,681	526,845
Value of company pension contributions to defined contribution pension schemes	61,663	61,290
	<u>591,344</u>	<u>588,135</u>

Remuneration of highest paid director

	2013	2012
	£	£
Total remuneration	88,040	89,746
Value of company pension contributions to defined contribution pension schemes	12,469	11,206
	<u>100,509</u>	<u>100,952</u>

The director exercised 843 share options during the period

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

	2013	2012
	No	No
Defined contribution pension schemes	<u>6</u>	<u>6</u>

THE BLACK SHEEP BREWERY PLC

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2013

7 Taxation on ordinary activities

(a) Analysis of charge in the year

	2013 £	2012 £
In respect of the year		
UK Corporation tax charge at 24% (2012 - 26%)	-	188,616
Under/(over) provision in prior year	(97,274)	6,895
Total current tax	(97,274)	195,511
Deferred tax		
Origination and reversal of timing differences	(125,257)	(118,855)
Deferred tax adjustment in respect of previous years	49,031	(6,026)
Total deferred tax (note 16)	(76,226)	(124,881)
Tax on profit on ordinary activities	<u>(173,500)</u>	<u>70,630</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 24% (2012 - 26%)

	2013 £	2012 £
(Loss)/profit on ordinary activities before taxation	<u>(740,226)</u>	<u>504,053</u>
(Loss)/profit on ordinary activities by rate of tax	(177,654)	131,054
Effects of		
Marginal relief	-	(10,985)
Items not deductible for tax purposes	(8,388)	17,553
Losses carried back	92,976	-
Depreciation in excess of capital allowances	93,066	50,994
Adjustments to tax charge in previous periods	(97,274)	6,895
Total current tax (note 7(a))	<u>(97,274)</u>	<u>195,511</u>

(c) Factors that may affect future tax charges

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

THE BLACK SHEEP BREWERY PLC

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2013

8 Dividends

Equity dividends

	2013 £	2012 £
Paid during the year		
Ordinary dividend paid of 9p (2012 9p)	189,752	183,411
Proposed at the year-end (not recognised as a liability)		
Ordinary dividend proposed of nil (2012 9p)	-	190,407

9 Tangible fixed assets

	Freehold Property £	Plant & Machinery £	Motor Vehicles £	Total £
Cost				
At 1 April 2012	7,907,245	7,467,058	861,992	16,236,295
Additions	290,601	291,238	79,860	661,699
Transfers	35,047	(35,047)	-	-
Disposals	-	(1,004,202)	(86,944)	(1,091,146)
At 31 March 2013	8,232,893	6,719,047	854,908	15,806,848
Depreciation				
At 1 April 2012	1,043,492	4,474,774	524,950	6,043,216
Charge for the year	143,252	506,869	155,261	805,382
Transfers	496	(496)	-	-
Disposals	-	(965,218)	(60,539)	(1,025,757)
At 31 March 2013	1,187,240	4,015,929	619,672	5,822,841
Net book value				
At 31 March 2013	7,045,653	2,703,118	235,236	9,984,007
At 31 March 2012	6,863,753	2,992,284	337,042	10,193,079

Hire purchase agreements

Included within the net book value of £9,984,007 is £1,837,375 (2012 - £1,918,117) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £248,552 (2012 - £250,263)

10 Stocks

	2013 £	2012 £
Raw materials and consumables	563,350	571,773
Finished goods and goods for resale	661,266	665,338
	1,224,616	1,237,111

THE BLACK SHEEP BREWERY PLC

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2013

11 Debtors

	2013	2012
	£	£
Trade debtors	2,469,128	2,510,739
Other debtors	20,352	27,059
Prepayments	158,845	186,169
Corporation tax	37,637	-
	<u>2,685,962</u>	<u>2,723,967</u>

12 Creditors Amounts falling due within one year

	2013	2012
	£	£
Bank loans and overdrafts	1,958,731	1,078,101
Trade creditors	1,088,156	1,119,929
Corporation tax	-	188,636
Other taxation and social security	1,008,514	1,082,744
Hire purchase agreements	185,692	383,589
Other creditors	172,140	39,352
Accruals	190,153	83,463
	<u>4,603,386</u>	<u>3,975,814</u>

13 Creditors Amounts falling due after more than one year

	2013	2012
	£	£
Bank loans	1,638,306	1,850,337
Hire purchase agreements	112,622	145,496
	<u>1,750,928</u>	<u>1,995,833</u>
Other creditors	33,495	34,497
	<u>1,784,423</u>	<u>2,030,330</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 2013

14 Analysis of borrowings

Amounts repayable

	Bank loans and overdrafts £	Hire purchase contracts £	Total £
As at 31 March 2013			
Amounts payable within 1 year	1,958,731	185,692	2,144,423
Amounts payable between 1 and 2 years	476,034	112,622	588,656
Amounts payable between 3 and 5 years	472,824	-	472,824
Amounts payable after more than 5 years	689,448	-	689,448
	<u>3,597,037</u>	<u>298,314</u>	<u>3,895,351</u>

	Bank loans and overdrafts £	Hire purchase contracts £	Total £
As at 31 March 2012			
Amounts payable within 1 year	1,078,101	383,589	1,461,690
Amounts payable between 1 and 2 years	421,042	145,496	566,538
Amounts payable between 3 and 5 years	544,260	-	544,260
Amounts payable after more than 5 years	885,035	-	885,035
	<u>2,928,438</u>	<u>529,085</u>	<u>3,457,523</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 £200,894 (2012 - £192,171). Contributions totalling £20,128 (2012 - £18,955) 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 2013

16 Deferred taxation

The movement in the deferred taxation provision during the year was

	2013 £	2012 £
At 1 April 2012	810,127	935,008
Profit and loss account movement during the year	(76,226)	(124,881)
At 31 March 2013	<u>733,901</u>	<u>810,127</u>

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

	2013 £	2012 £
Accelerated capital allowances	738,530	814,677
Other timing differences	(4,629)	(4,550)
	<u>733,901</u>	<u>810,127</u>

Deferred tax is provided at 23% (2012 - 24%)

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

	2013		2012	
	Shares under option	Weighted average exercise price	Shares under option	Weighted average exercise price
Outstanding at beginning of year	251,401	£3.08	267,591	£2.92
Granted during the year	32,342	£3.47	56,887	£3.81
Forfeited during the year	(48,689)	£2.77	(41,789)	£3.04
Exercised during the year	(74,256)	£2.43	(31,288)	£3.11
Outstanding at the end of the year	<u>160,798</u>	£3.55	<u>251,401</u>	£3.08
Exercisable at the end of the year	<u>40,840</u>	£3.59	<u>43,840</u>	£3.10

THE BLACK SHEEP BREWERY PLC

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2013

The weighted average share price at the date of exercise for share options exercised during the year was £2.43. The options outstanding at 31 March 2013 had a weighted average exercise price of £3.55, and a weighted average remaining contractual life of 3.6 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

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

Allotted, called up and fully paid

	2013 No	2013 £	2012 No	2012 £
Ordinary shares of £1 each	<u>2,112,572</u>	<u>2,112,572</u>	<u>2,038,316</u>	<u>2,038,316</u>

During the year 74,256 £1 Ordinary shares were issued on the exercise of share options.

The market price of the shares at 31 March 2013 was £3.25 (2012 - £4.50).

The following options were outstanding under HMRC approved option schemes at 31 March 2013:

	Ordinary shares	Price £	Date of exercise
SAYE Scheme 15	31,991	2.96	July 2013
SAYE Scheme 16	19,815	3.45	August 2014
SAYE Scheme 17	24,152	3.47	August 2015
EMI Scheme 2	20,840	3.22	November 2006 – November 2013
EMI Scheme 3	20,000	3.98	October 2012 – October 2019
EMI Scheme 4	20,000	3.68	June 2013 – June 2020
EMI Scheme 5	24,000	4.30	July 2014 – July 2021

Shareholders breakdown

Shares held at 6 June 2013	Number of Shareholders	%	% holding in the company
1 – 1,000	870	72	17
1,001 – 5,000	282	24	32
5,001 and above	52	4	51
	<u>1,204</u>	<u>100</u>	<u>100</u>

THE BLACK SHEEP BREWERY PLC

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2013

Directors' share options

	At 01/04/12	Granted	Exercised	Forfeited	At 31/03/13	Exercise price	Market price at date of exercise	Date from which exercisable	Expiry date
P F Theakston									
SAYE Scheme 14	1,517	-	(1,517)	-	-	£2 17	£4 25		07/12
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
EMI Scheme 1	23,000	-	(23,000)	-	-	£3 00	£4 25	05/05	05/12
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
R J Theakston									
SAYE Scheme 14	843	-	(843)	-	-	£2 17	£4 25		07/12
SAYE Scheme 15	613	-	-	-	613	£2 96			07/13
SAYE Scheme 16	523	-	-	-	523	£3 45			08/14
SAYE Scheme 17	-	518	-	-	518	£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
S J Constable									
SAYE Scheme 14	843	-	(843)	-	-	£2 17	£4 25		07/12
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
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
A Dunn									
SAYE Scheme 14	843	-	(843)	-	-	£2 17	£4 25		07/12
SAYE Scheme 15	1,226	-	-	(1,226)	-	£2 96			07/13
SAYE Scheme 16	1,046	-	-	(1,046)	-	£3 45			08/14
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 K Smith (resigned 28 March 2013)									
SAYE Scheme 14	843	-	(843)	-	-	£2 17	£4 25		07/12
SAYE Scheme 16	2,092	-	-	-	2,092	£3 45			08/14
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
J F Theakston									
SAYE Scheme 14	4,216	-	(4,216)	-	-	£2 17	£4 25		07/12
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
J D Lindop									
SAYE Scheme 15	2,452	-	-	-	2,452	£2 96			07/13
A J Robinson									
SAYE Scheme 15	3,065	-	-	-	3,065	£2 96			07/13
J A Theakston									
SAYE Scheme 14	4,216	-	(4,216)	-	-	£2 17	£4 25		07/12
SAYE Scheme 17	-	2,593	-	-	2,593	£3 47			08/15

THE BLACK SHEEP BREWERY PLC

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2013

19 (Loss)/earnings per share

The loss per share of 27 1p (2012 earnings of 21 3p) has been calculated on a loss of £566,726 (2012 profit £433,423) and on a weighted average number of shares of 2,093,570 (2012 2,031,661) No material difference exists between dilutive EPS and basic EPS

20 Reserves

	Share premium £	Share options reserve £	Profit and loss account £
Balance brought forward	1,047,129	272,216	3,984,415
Loss for the year	-	-	(566,726)
Dividends	-	-	(189,752)
New share capital subscribed	105,970	-	-
Share based payment charge	-	12,417	-
Balance carried forward	<u>1,153,099</u>	<u>284,633</u>	<u>3,227,937</u>

21 Reconciliation of movements in shareholders' funds

	2013		2012	
	£	£	£	£
(Loss)/profit for the financial year		(566,726)		433,423
New share capital	74,256		31,288	
Premium on share capital subscribed	<u>105,970</u>		<u>65,877</u>	
		180,226		97,165
Dividends		(189,752)		(183,411)
Share based payment charge		<u>12,417</u>		<u>31,715</u>
Net (reduction)/addition to shareholders' funds		(563,835)		378,892
Opening shareholders' funds		<u>7,342,076</u>		<u>6,963,184</u>
Closing shareholders' funds		<u>6,778,241</u>		<u>7,342,076</u>

22 Notes to the cash flow statement

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

	2013	2012
	£	£
Operating (loss)/profit	(537,050)	710,519
Depreciation	805,382	742,425
Loss/(profit) on disposal of fixed assets	22,325	(48,261)
Decrease/(increase) in stocks	12,495	(188,596)
Decrease in debtors	75,642	361,468
Increase/(decrease) in creditors	132,473	(490,147)
Share based payment charge	<u>12,417</u>	<u>31,715</u>
Net cash inflow from operating activities	<u>523,684</u>	<u>1,119,123</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 2013

Analysis of changes in net debt

	At 1 April 2012 £	Cash flows £	Other changes £	At 31 March 2013 £
Net cash				
Cash in hand and at bank	4,190	1,176	-	5,366
Overdrafts	(687,334)	(795,363)	-	(1,482,697)
	<u>(683,144)</u>	<u>(794,187)</u>	<u>-</u>	<u>(1,477,331)</u>
Debt				
Debt due within 1 year	(390,767)	126,764	(212,031)	(476,034)
Debt due after 1 year	(1,850,337)	-	212,031	(1,638,306)
Hire purchase agreements	(529,085)	381,800	(151,029)	(298,314)
	<u>(2,770,189)</u>	<u>508,564</u>	<u>(151,029)</u>	<u>(2,412,654)</u>
Net debt	<u>(3,453,333)</u>	<u>(285,623)</u>	<u>(151,029)</u>	<u>(3,889,985)</u>

23 Commitments under operating leases

At 31 March 2013 the company had annual commitments under non-cancellable operating leases as set out below

	2013		2012	
	Land and buildings £	Other Items £	Land and buildings £	Other Items £
Operating leases which expire				
Within 1 year	-	7,016	17,109	58,105
Within 2 to 5 years	-	74,585	-	32,514
	<u>-</u>	<u>81,601</u>	<u>17,109</u>	<u>90,619</u>

24 Other commitments

Capital commitments

Amounts contracted for but not provided amounted to £267,414 (2012 £321,996)

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 2013 amounted to £915,314 (2012 £997,931) with an amount of £274,639 (2012 £274,917) due within the next 12 months