

Company Registration No. 02686985 (England and Wales)

**THE BLACK SHEEP BREWERY PLC**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 MARCH 2022**



# THE BLACK SHEEP BREWERY PLC

## COMPANY INFORMATION

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**Directors**                      Andrew Slee (Chairman)  
  Charlene Lyons (Chief Executive Officer)  
  Robert Theakston (Managing Director)  
  Jonathan Theakston (Innovation and Export Director)  
  John Hunt (Chief Financial Officer)

**Secretary**                      Amy Clarkson

**Company number**              02686985

**Registered office**              Wellgarth  
  Masham  
  Ripon  
  North Yorkshire  
  HG4 4EN

**Auditor**                          Azets Audit Services Limited  
  33 Park Place  
  Leeds  
  LS1 2RY

**Bankers**                          Lloyds Bank plc  
  Thirsk Branch  
  PO Box 1000  
  BX1 1LT

  Close Brothers Limited  
  80 Mosley Street  
  Manchester  
  M2 3FX

**Solicitors**                          Eversheds Sutherland (International) LLP  
  Bridgewater Place  
  Water Lane  
  Leeds  
  LS11 5DR

# THE BLACK SHEEP BREWERY PLC

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# THE BLACK SHEEP BREWERY PLC

## CHAIRMAN'S STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

When future generations look back at this period in British history, the resilience and versatility of Britain's pubs and brewers will shine through. Whilst the popular view may be that coronavirus is somehow "over," its legacy and impact on our sector certainly isn't. That history is not ready to be written for a while yet. For evidence, look no further than the recent closure of Kelham Island Brewery in Sheffield and the announcement of redundancies at Cloudwater Brewery in Manchester. Both multiple award winning and well respected innovative independent brewers.

Whilst pub groups are recovering quickly, the economic impact on breweries, which received minimal government support during covid will be with us for some time.

The impact of Carlsberg's mid pandemic purchase of Marston's and exit from third party brewing and distribution services has materially impacted many brewers which heavily relied on these services. In addition, many brewers who also have large managed estates have understandably prioritised their own brands meaning less space for alternative brands on the bar.

Given the enormity and sheer number of challenges that have faced our sector during the last financial year, I commend the continued and remarkable resilience and hard work of the Black Sheep management team, led by Charlene Lyons, over the last year.

Charlene goes into more detail in her report, but we have been keen to exploit our position as a large and well-respected independent brewer in leading the post covid recovery. In a challenging environment it's easy to play it safe but that has not been the case at Black Sheep.

We are now self-sufficient in packaging Black Sheep product, having added the canning line during the year. We have made excellent progress in our local direct channel and received plaudits for our innovative "Drink Cask Beer" campaign. Whilst we and our industry move to accommodate the changing tastes of customers, we are leading advocates of the quality and freshness of Cask Beer and are confident that we can alter the perception of younger beer drinkers through our innovative marketing. We also launched Respire our first carbon neutral beer in April which we worked on during the pandemic and it has been well received in trade.

We continue to punch well above our weight in helping bring a fragmented industry together to talk with "one voice" to government on matter that affect us all.

Whilst we are doing all we can within current resources, including the receipt of a £1.6 million RLS loan from the Bank in July 2022, the Board continues to look to realise the full potential of the Black Sheep Brand. This need for investment becomes more critical in the face of economic challenges and the need for new equipment to allow us to compete on a level playing field. We announced last September our intention to raise fresh capital and that has taken up a considerable amount of management time. We look forward to providing a verbal update at the AGM.

Finally, I look forward to seeing as many of you as possible at the AGM when we will be able to celebrate together the 30<sup>th</sup> Anniversary of Paul Theakston founding The Black Sheep Brewery. This is a fantastic landmark for the Company. Thanks to you all for your continued support and I look forward to sharing a beer in September.

*Andrew Slee*

Andrew Slee  
Chairman  
4 August 2022

# THE BLACK SHEEP BREWERY PLC

## CHIEF EXECUTIVE OFFICER'S REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2022

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#### Introduction

Black Sheep is now 30 years old. It has been through many ups and downs, but the rollercoaster we have been on for the last two and a half years is something we never thought we would experience. My report last year looked forward to a year when we could execute our strategic plan and continue to build the excellent Black Sheep Brand. In reality, whilst we have made great progress, the continued impact of Covid-19 and the related financial impact has left us disappointed that we have been unable to make the progress we hoped for in the last financial year.

We experienced yet another year when normal ceased to exist. We started the year with lockdowns and restrictions, only returning to relative freedom from mid July. After a period when a degree of optimism told us the world was returning to normal Christmas was a huge disappointment, with Omicron and public concerns over seeing loved ones, impacting materially on our profitability. We now have increasing input prices and inflation to deal with as well as a war in Ukraine which is creating major uncertainty relating to certain commodities and of course to consumer confidence.

The team at Black Sheep are working through these challenges to grow a better, stronger, and more relevant business with a broader range of products which will appeal to consumers across wider age ranges.

#### Result for the financial year

The adjusted operating loss for the year was £911,752 (2021 - £1,053,058). This is disappointing but is similar to last year when we also suffered very material disruption. After considering exceptional items, the company made a loss of £903,556 before interest and tax (2021 - profit of £1,014,144, arising in large part from insurance proceeds).

Turnover increased to £14,259,471 from £13,295,873. We saw a welcome increase in on trade sales to £5,730,152 (2021 - £2,245,457) as customers returned to pubs and restaurants, but naturally we saw a reduction in off trade sales to £6,713,841 (2021 - £9,547,261). Retail sales amounted to £2,503,892 (2021 - £1,505,155) with online sales contributing £371,425 compared to £741,951 last year, as expected.

As in 2021 we benefitted from support in the form of furlough and grant payments, but the end of the furlough scheme reduced our ability to manage overheads flexibly and we therefore had a full overhead in the second half of the year.

Progress in achieving our plans was also impacted by delays in achieving funding and this remains a priority.

#### Black Sheep's strategic progress

##### On trade

Black Sheep has undoubtedly been on the front foot in the last two years showing a degree of leadership, not matched within the rest of the sector. Our recent Drink Cask Beer campaign and our distinctive video have created significant waves in our market. Whilst the overall market for cask beer remains in decline, we have grown our business in our Yorkshire heartland, achieving impressive results and we are increasing our investment in our sales team in FY23 to build further on this.

We also spent a great deal of time during the year assessing our environmental impact and determining how we should articulate our commitment to sustainability. We were delighted to launch 'Respire' a carbon neutral cask beer in April 2022 following a period of development in the financial year. We have expanded our commentary on sustainability in this year's report to outline our plans to become at least carbon neutral.

Overall, on trade sales were impacted for much of the year by uncertainty over the impact of Covid. Our sales to Multiple Pub Groups, Other Brewers and Wholesalers did not return to pre pandemic levels as concerns over shelf life and decisions to limit cask brands on bar, as a consequence, impacted both Black Sheep and our competitors.

That said, although many customers reduced their ranges Black Sheep remained a must stock for the majority of customers.

# THE BLACK SHEEP BREWERY PLC

## CHIEF EXECUTIVE OFFICER'S REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2022

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#### Off trade and innovation

Our off-trade business began the year very strongly with consumers sourcing beer from supermarkets. As the year progressed the balance with on trade began to return to levels seen pre covid. Christmas was very challenging with large grocers allocating space to essentials, and products such as beer suffered as they did prior to previous lockdowns. As 2022 dawned we also began to see grocers experimenting with pricing dynamics and shifting shelf space from premium bottled ales to craft and world beers. Combined with our enforced change of distributor our sales in the final quarter of the year were very disappointing.

Further progress was made this year establishing Milk Stout which is now available in all the 4 major grocers. We still have progress to make to grow sales and to further establish this wonderful, award-winning stout. We also sold Black Sheep Ale to Jet2 for sale nationally on all of its aircrafts from May 2022 and we expect that this partnership will further drive brand recognition across a wider audience.

Innovation in core products, craft and other categories remains a real focus. We are increasingly using market insight to focus product development and have developed a Black IPA which is sold as Cry Wolf in a major grocer and have also sold our amazing peanut brittle, raspberry and white chocolate milkshake IPA and pineapple milkshake IPA into major grocers. Our brewing team is truly innovative and has developed numerous products, both under the 5 Barrel Project and Black Sheep brands many of which are sold online. This innovation continues following investment in small brew kit to allow us to commercialise our 5 Barrel Project products more quickly.

In July 2021 we launched Bobby Horns Easy Apple Cider at The Great Yorkshire show and this sells in keg and online in can. We also introduced Black Sheep vodka and Black Sheep gin remains extremely popular.

#### Ecommerce

Our ecommerce sales declined in the year, but this remains an area of focus where we believe there is considerable opportunity. Our success on Father's Day and at Christmas make it noticeably clear that there is an amazing market for us to exploit as people want to buy our beer and merchandise. We are adding more gifting lines in the new year and plans have already started to make further investment in this business.

#### BSB Retail

BSB Retail's pub estate traded exceptionally well when the outlets were open although sales suffered at Christmas due to cancellation of party bookings and general caution among consumers. I am delighted that we now have all five outlets trading and we have invested over £150,000 in refurbishments since October 2021. The Last Drop Inn in York reopened in October 2021 and Mr Foleys in Leeds in May 2022. I am particularly pleased that the managers at the locations are always looking to improve revenues with great beers, strong food offerings, live entertainment, and amazing service. Our Visitor Centre in Masham once again proved an outstanding visitor attraction showcasing our great beers and serving amazing food. The shop always trades well, and this year with longer opening hours, offering exceptional merchandise and of course the amazing Black Sheep Brewery Tours.

#### Packaging and distribution

We announced last year that our packaging line had been completed and commissioned in the early part of the financial year. The commercial sense of investing in the packaging line was reinforced when our main third party packaging supplier announced that they would no longer do third party packaging and distribution from mid-January 2022. We now package all of our Black Sheep branded product (keg, bottle and can) in house. Our capability in packaging has improved dramatically during the last 12 months and we have invested in new equipment, including a centrifuge, to increase efficiency and quality. We did incur additional costs throughout the year due to glass and liquid losses as due to Covid restrictions our overseas suppliers were unable to provide engineers to fine tune the equipment. Since March losses have reduced and are now at normal levels. The exceptional losses are shown separately in the accounts.

Since January we have used a new logistics supplier for off trade. There were inevitably some teething problems and we have been working to resolve these. The costs of moving all of our stock between depots has also been shown as an exceptional cost in the accounts.

**THE BLACK SHEEP BREWERY PLC**  
**CHIEF EXECUTIVE OFFICER'S REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2022**

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**Financing**

We announced at the AGM in September 2021 that we intended to seek further equity investment, in particular to allow capital investment in the business. We appointed advisors to assist in this process, but progress has not been as hoped. There has been a great deal of interest, but many parties were reluctant to commit when Covid created significant uncertainty and our existing capital structure is so complex. We are continuing to meet with interested parties and will update shareholders again at the AGM.

In the absence of new equity, we borrowed £1.6m in July 2022 by way of a loan under the Recovery Loan Scheme, (RLS). At the same time we extended our existing CBILS loan for a further three years. This provided funds for liquidity and investment, allowing a period in which we can implement our strategy and return to better levels of profitability.

**People**

As ever, our teams have demonstrated enormous resilience, enthusiasm, and commitment to the Black Sheep cause. We are delighted to have our full complement of staff back and have added some real talent to the team, many in new areas. We obviously work from an old, working Brewery and one task we began this year is to materially improve our working environment and systems as we welcome staff back from working at home. I would like to thank everyone for their dedication, passion and support over the last two years and I look forward to leading our flock through less troubled waters in the new financial year.



Charlene Lyons  
Chief Executive Officer  
4 August 2022

# THE BLACK SHEEP BREWERY PLC

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 MARCH 2022

The directors present the strategic report for the year ended 31 March 2022.

#### Fair review of the business

The Chairman's Statement on page 1 and the Chief Executive Officer's report on pages 2 to 4 include details of the business strategy and expected future developments.

The loss before tax of £1,184,343 compares to a profit before tax of £862,871 in 2021.

A review of the business for the year is set out in the Chairman and CEO reports. FY22 was another really challenging year for Black Sheep, although we now hope to experience a prolonged period of positive trading. Once again, we experienced the negative impact of Covid. For a period at the start of the year (to 19 July 2021) trading was impacted by Government restrictions and the impact of the Omicron strain at Christmas, materially impacted on profitability.

Turnover increased to £14,259,471 in the year from £13,295,873 in 2021. Brewery turnover accounted for £11.8m of turnover (2021 - £11.8m). The welcome return of volume in our on trade business was of course offset by a reduction in off trade sales (mainly supermarkets) to £6.7m from £9.5m in FY21. Our retail business saw an increase in turnover to £2.5m from £1.5m which reflected the impact of the return to more regular drinking patterns at certain times of the year. Our ecommerce business had another good year producing sales of £0.37m (2021 - £0.75m).

The following table provides a reconciliation of EBITDA to this year's operating loss. The operating loss amounted to £0.90m (2021 - operating profit of £1.01m). This year did not materially benefit from business interruption insurance proceeds unlike 2021.

£'000	Brewery	Retail	Group March 2022	Group March 2021
<b>Adjusted EBITDA</b>	<b>(153,524)</b>	<b>21,798</b>	<b>(131,726)</b>	<b>(409,323)</b>
Depreciation and amortisation	(653,755)	(126,271)	(780,026)	(643,735)
<b>Adjusted operating loss</b>	<b>(807,279)</b>	<b>(104,473)</b>	<b>(911,752)</b>	<b>(1,053,058)</b>
Exceptional costs	(130,638)	(22,561)	(153,199)	(337,545)
Net insurance proceeds	118,930	42,465	161,395	2,268,605
Net proceeds of legal dispute	-	-	-	136,142
<b>Operating (loss)/profit</b>	<b>(818,987)</b>	<b>(84,569)</b>	<b>(903,556)</b>	<b>1,014,144</b>

Despite another difficult year for both the Brewery and Retail businesses, the impact on adjusted EBITDA was significantly mitigated by management actions described in the CEO report. The furlough scheme and grant income provided opportunities for flexibility in managing our workforce but it continued to be disappointing that the Government was not able to introduce any meaningful measures to further help breweries at a time when customers in the on trade were impacted by the pandemic.

Despite lengthy closures and the impact of Omicron our Retail business benefitted from ecommerce sales, particularly for Father's Day and Christmas. This impact was less than in FY21 as customers were able to visit pubs and more consumers visited supermarkets. By the end of the year only one of our Retail sites remained closed and trading at open sites was above FY20 on a like for like basis.

The gross margin this year has improved as the product mix rebalanced between on and off trade. Our own packaging line operation has also improved the gross margin. Distribution costs increased from £1.6m to £2.3m reflecting the greater delivery volumes to the on trade which is serviced in part by our own fleet of vehicles. Administrative expenses were £3.7m compared to £3.9m in 2021. The actual reduction on a like for like basis is more significant as the current year figure includes £0.4m of packaging overhead. Depreciation increased by £0.1m due to the packaging line equipment being brought into use.

The impact of exceptional items on the business was much reduced this year. The net insurance proceeds of £0.16m compared to £2.27m in FY21. Exceptional costs this year include one off costs of changing logistics provider £0.02m as well as excess costs of £0.05m incurred as a result of being unable to fully commission the packaging line whilst there remained travel restrictions preventing engineers assisting in optimising run settings. Redundancy related costs of £0.08m were incurred (2021 - £0.34m) as we continue to review our overhead base post Covid.

# THE BLACK SHEEP BREWERY PLC

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2022

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The Group's net asset position has reduced by £1.1m in the year due to losses incurred. We continue to have a working capital facility provided through invoice discounting in addition to a mortgage and CBIL. We repaid £0.56m of loans and finance lease facilities during the year. The change to in house packaging and to a new off-trade distribution partner has led to a reduction in trade creditors and earlier payment of duty on packaged product sales.

No dividends have been paid or declared in the period.

#### Principal risks and uncertainties

The industry in which we operate has been profoundly impacted by Covid-19 since March 2020. The removal of restrictions by the Government during the first quarter of 2022 is providing a welcome stimulus to the sector in which the company operates. The management team continue to work very closely with our customers and react accordingly to challenges within the hospitality sector.

As the impact of Covid weakens, the business is impacted by changes in the costs of materials and services. In particular, the price of malt and energy cost inflation provide challenges to the business with the costs of glass bottles impacting on off trade pricing. The ability to impose price increases varies from customer to customer. In the short to medium term skill shortages and salary inflation may lead to further increases in our costs base.

The business is also exposed to potential economic impacts arising from war, such as raw material shortages and commodity price increases.

Our industry remains vulnerable to Government changes to legislation and taxation. The burden of beer duty, as detailed in the Five Year Summary, remains significant.

#### Financial risk management objectives and policies

The group'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 group's principal financial instruments comprise of bank loans, an overdraft, forward contracts to purchase hops, together with trade debtors and trade creditors that arise from its operations. The main risks arising from the group's financial instruments can be analysed as follows:

##### Credit risk

The group's credit risk is primarily attributable to its trade debtors. The amounts presented in the Statement of Financial Position are net of allowances for doubtful debts, estimated by the group's management based on prior experience and their assessment of the current economic environment. The group does have a large proportion of its business throughout the year, and outstanding debtor balances at the year end, with a concentrated number of supermarkets and multiple pub groups. The exposure to these customer groups is managed through regular management reviews and credit insurance.

##### Liquidity risk

The group'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 group 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 group.

#### Report under s172 of the Companies Act 2006

The Directors' key decisions are made with due regard for the Group's key stakeholders and other matters as specified in s172. When making decisions each Director ensures that he/she acts in the way he/she considers, in good faith, would most likely promote the Company's success for the benefit of its members as a whole. It is important to the Board that the Group maintains its positive reputation for high standards of business conduct. The Directors consider that they act fairly as between the members of the company.

Previous efforts to grow the brewery presence within the Yorkshire heartland have become evidently worthwhile as we retained a loyal customer base upon pubs reopening as Covid restrictions were lifted. This remains a key strategic focus and we continue to focus on gaining Yorkshire market share. The packaging plant in Masham is now fully functional, with in house bottling, canning and kegging facilities. This element of the strategic plan was to enable us to become self-sufficient and provide ourselves with flexibility within the supply chain. This will also open up opportunities for third party contracts, thus generating incremental revenues. Product innovation remains a key focus with the successful launches of cider and vodka in 2021. We continue with beer innovation and launched a carbon neutral cask beer and developed a number of craft and other beers which have also supported the development of the ecommerce channel.

**THE BLACK SHEEP BREWERY PLC**  
**STRATEGIC REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2022**

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Within BSB Retail we refurbished The Last Drop Inn in York, which reopened in October 2021 and committed to the refurbishment of Mr Foleys in Leeds which reopened in May 2022.

Other key management decisions included commitment to capital projects at our production sites. Additional commentary in respect of these management decisions is also provided in the Chairman's Statement and Chief Executive Officer's Report.

The impact of decisions on the interests of the Group's employees is considered at all times as are the interests of investors, suppliers, customers and other key stakeholders.

During the year the Company has communicated with shareholders by way of its AGM and announcements on its web site. The directors engage on a regular basis with employees with strategic and operational updates. This remains a key focus as employees work more flexibly. Engagement with suppliers, customers and other stakeholders has been managed throughout the year based on a clear management reporting structure and lines of communication.

Many of our employees, suppliers and customers are based in North Yorkshire. The Directors therefore have particular regard for the impact of the business on the local community and environment. We provided support to the local community as a major employer in North Yorkshire. We have also made outstanding improvements in our management of effluent and waste product and support the Yorkshire Dales Millennium Trust through sales of our Carbon Neutral Cask product, Respire.

By order of the board



Amy Clarkson  
Secretary  
4 August 2022

# THE BLACK SHEEP BREWERY PLC

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 MARCH 2022

The directors present their annual report and financial statements for the year ended 31 March 2022.

#### Principal activities

The principal activities of the group during the year were brewing for sale and the operation of pubs. The principal activity of the company during the year was brewing for sale.

#### Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Andrew Slee (Chairman)  
Charlene Lyons (Chief Executive Officer)  
Robert Theakston (Managing Director)  
Jonathan Theakston (Innovation and Export Director)  
John Hunt (Chief Financial Officer) – appointed 1 July 2022

#### Results and dividends

The results for the year are set out in the consolidated income statement.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

Further details on results are provided in the consolidated income statement on page 15 and in the five-year summary which includes key performance indicators.

#### Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary Shares of £1 each:	
	At 31 March 2022	At 31 March 2021
Andrew Slee (Chairman)	6,900	6,900
Robert Theakston (Managing Director)	6,256	6,256
Jonathan Theakston (Innovation and Export Director)	11,050	11,050
Charlene Lyons (CEO)	-	-

There were no directors share option schemes in place at the end of the financial year.

#### Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

#### Post reporting date events

Subsequent to the year end the Company borrowed £1.6m under the Recovery Loan Scheme (RLS) and restructured its borrowings under the CBILS scheme. Further details are provided in note 18.

#### Auditor

RSM UK Audit LLP resigned as auditor during the year and Azets Audit Services Limited were appointed as auditor. A resolution proposing that Azets Audit Services Limited be reappointed as auditor of the group will be proposed at the forthcoming Annual General Meeting.

# THE BLACK SHEEP BREWERY PLC

## DIRECTORS' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2022

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#### Matters of strategic importance

The group has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the group's Strategic Report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the Directors' Report. It has done so in respect of financial risk management objectives and policies.

#### Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

#### 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 group, 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.

#### Stakeholder engagement

The Board recognises the importance of engagement with its key stakeholders and has a delegated structure for appropriate levels of engagement. Our key stakeholders include employees, investors, funders, customers and suppliers as well as our local community in North Yorkshire. Business decisions are made taking into account the group's relationships with key stakeholder groups.

#### Policy on the payment of creditors

The group 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 2022 was 52 days (2021 - 42).

#### Sustainability report

The Company has carried out considerable amounts of work during the year to assess its carbon footprint and to establish a policy to create a carbon neutral or carbon negative operation. The following report provides detailed information on the Company's environmental impact. We also set out details of Greenhouse Gas emissions, energy consumption and energy efficiency.

We are continuing to focus on reducing our emissions through waste management projects, more efficient energy usage and improved recycling. A major project was undertaken in conjunction with external consultants Enviro Strategies to measure the carbon footprint of our cask beer production. This was completed ahead of the launch of new Carbon Neutral Cask beer, Respire, in Spring 2022. An energy review was completed in the year, and we are working through its recommendations.

Also in the Spring, we launched a long term sustainability strategy for the business with specific targets. We are aligning the business with targets set for the Yorkshire region – to hit carbon neutral status by 2034 and carbon negative by 2040. Our broad targets are as follows:

- Measuring the carbon footprint of all bottle, can and keg beer by the end of 2022 and launching Carbon Neutral products such as Respire Cask;
- Developing a pathway to making all Black Sheep Cask beers carbon neutral;
- Moving to a minimum 50% recycled plastic in our packaging and phasing out where possible;
- Supporting long term local sustainability projects in our Yorkshire heartland and considering appropriate offset projects;
- Working with suppliers to reduce their carbon footprint, and choose sustainable suppliers and products where possible;
- Investing in carbon emission reduction projects and improved recycling within our manufacturing sites;
- A long-term commitment to move to 100% renewable energy;
- Zero waste from beer production and packaging to landfill;
- A long-term commitment to decarbonise our delivery fleet.

# THE BLACK SHEEP BREWERY PLC

## DIRECTORS' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2022

Some of these goals are being met now, for example all our organic brewing waste is taken for anaerobic digestion which creates bio-fuel.

We will continue to move the Sustainability agenda for the business into the day to day thinking and management of the business to achieve the long-term goals.

#### Greenhouse Gas emissions, energy consumption and energy efficiency

The following table shows an estimate of the amount of CO2 emissions resulting from the purchase of energy for the Group's use during the financial year. The group is reviewing ways of reducing its carbon footprint. Much of the company's brewing waste is now sold for biomass energy production and we have significantly reduced risks to the environment from our effluent streams. Whilst the new packaging line has increased direct emissions it also reduces the overall impact of the group's supply chain.

	2022		2021	
	Tonnes of CO2	kWh	Tonnes of CO2	kWh
Gas	431.84	2,357,738	353.75	1,931,374
Fuel for transport	276.11	1,165,710	241.12	1,017,973
Electricity	228.06	1,074,068	326.24	1,536,459
	<b>936.01</b>	<b>4,597,516</b>	<b>921.1</b>	<b>4,485,806</b>

The calculations are based on metered readings and for transport on quantities of fuel purchased. The above statistics indicate that the group emitted 66 tonnes (2021 : 69 tonnes) of CO2 per £1m of turnover.

By order of the board



Amy Clarkson  
Secretary  
4 August 2022

# THE BLACK SHEEP BREWERY PLC

## DIRECTORS' RESPONSIBILITIES STATEMENT

### FOR THE YEAR ENDED 31 MARCH 2022

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The directors are responsible for preparing the Strategic Report and 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 group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate financial information included on The Black Sheep Brewery PLC web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BLACK SHEEP BREWERY PLC

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## Opinion

We have audited the financial statements of Black Sheep Brewery PLC (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2022 which comprise the consolidated income statement, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2022 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

# THE BLACK SHEEP BREWERY PLC

## CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2022

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### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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;

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

### The extent to which the audit was considered capable of detecting irregularities, including fraud

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management, and from inspection of the company's regulatory and legal correspondence. We discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance during the audit.

The company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, pensions legislation, taxation legislation and further laws and regulations that could indirectly affect the financial statements, comprising environmental, health and safety legislation and, in the current climate, COVID regulations. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items. Auditing standards limit the required audit procedures to identify non compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. These procedures did not identify any potentially material actual or suspected noncompliance.

To identify risks of material misstatement due to fraud we considered the opportunities and incentives and pressures that may exist within the company to commit fraud. Our risk assessment procedures included: enquiry of directors to understand the high level policies and procedures in place to prevent and detect fraud, reading Board minutes and

# THE BLACK SHEEP BREWERY PLC

## CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2022

considering performance targets and incentive schemes in place for management. We communicated identified fraud risks throughout our team and remained alert to any indications of fraud during the audit.

As a result of these procedures, we identified the greatest potential for fraud in the following areas:

- revenue recognition and in particular the risk that revenue is recorded in the wrong period; and
- subjective accounting estimates.

Both risks arise due to a potential desire to present stronger results to benefit management interests, including enhanced incentives. As required by auditing standards we also identified and addressed the risk of management override of controls.

We performed the following procedures to address the risks of fraud identified:

- identifying and testing high risk journal entries through vouching the entries to supporting documentation;
- assessing significant accounting estimates for bias; and
- testing the timing and recognition of revenue and, in particular, that it was appropriately recognised in the correct period.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

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.

*Claire Needham*

Claire Needham (Senior Statutory Auditor)  
For and on behalf of Azets Audit Services Limited, Statutory Auditor  
Chartered Accountants  
33 Park Place  
Leeds  
LS1 2RY

4 August 2022

**THE BLACK SHEEP BREWERY PLC**  
**CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2022**


	Notes	2022 £	2021 £
Turnover	3	14,259,471	13,295,873
Cost of sales		(9,377,879)	(10,569,460)
<b>Gross profit</b>		<b>4,881,592</b>	<b>2,726,413</b>
Distribution costs		(2,302,168)	(1,569,272)
Administrative expenses		(3,748,342)	(3,851,612)
Other Income		265,362	3,708,615
<b>Operating (loss)/profit</b>	<b>6</b>	<b>(903,556)</b>	<b>1,014,144</b>
<b>Adjusted operating loss</b>		<b>(911,752)</b>	<b>(1,053,058)</b>
Exceptional costs	6	(153,199)	(337,545)
Exceptional income	6	161,395	2,404,747
<b>Operating (loss)/profit</b>		<b>(903,556)</b>	<b>1,014,144</b>
Interest payable and similar expenses	8	(280,787)	(151,273)
<b>(Loss)/profit before taxation</b>		<b>(1,184,343)</b>	<b>862,871</b>
Tax credit on (loss)/profit	9	76,559	48,033
<b>(Loss)/profit for the financial year</b>		<b>(1,107,784)</b>	<b>910,904</b>

(Loss)/profit for the financial year is all attributable to the owners of the parent company.

**THE BLACK SHEEP BREWERY PLC**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2022**

	Notes	2022 £	£	2021 £	£
<b>Fixed assets</b>					
Negative goodwill	10		(48,186)		(52,523)
Tangible assets	11		10,151,355		10,221,393
			10,103,169		10,168,870
<b>Current assets</b>					
Stocks	14	1,639,238		1,375,330	8598
Debtors	15	2,339,172		3,253,972	
Cash at bank and in hand		119,993		1,263,523	
		4,098,403		5,892,825	
<b>Creditors: amounts falling due within one year</b>	16	(4,700,038)		(4,912,497)	
<b>Net current (liabilities)/assets</b>			(601,635)		980,328
<b>Total assets less current liabilities</b>			9,501,534		11,149,198
<b>Creditors: amounts falling due after more than one year</b>	17		(4,785,544)		(5,274,478)
<b>Provisions for liabilities</b>	21		(526,806)		(577,752)
<b>Net assets</b>			4,189,184		5,296,968
<b>Capital and reserves</b>					
Called up share capital	22	2,432,172		2,432,172	
Share premium account	24	1,396,306		1,396,306	
Share option reserve	24	-		12,428	
Profit and loss reserves	24	360,706		1,456,062	
<b>Total equity</b>			4,189,184		5,296,968

The financial statements were approved by the board of directors and authorised for issue on 4 August 2022 and are signed on its behalf by:

  
Charlene Lyons  
Chief Executive Officer

**THE BLACK SHEEP BREWERY PLC**  
**COMPANY STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2022**

	Note	2022 £	2021 £
<b>Fixed assets</b>			
Tangible assets	11	9,444,511	9,538,275
Investments	12	100	100
		9,444,611	9,538,375
<b>Current assets</b>			
Stocks	14	1,471,631	1,254,496
Debtors	15	3,188,441	4,051,737
Cash at bank and in hand		2,319	1,178,090
		4,662,391	6,484,323
<b>Creditors: amounts falling due within one year</b>	16	(4,337,191)	(4,689,791)
<b>Net current assets</b>		325,200	1,794,532
<b>Total assets less current liabilities</b>		9,769,811	11,332,907
<b>Creditors: amounts falling due after more than one year</b>	17	(4,785,544)	(5,274,478)
<b>Provisions for liabilities</b>	21	(419,591)	(484,316)
<b>Net assets</b>		4,564,676	5,574,113
<b>Capital and reserves</b>			
Called up share capital	22	2,432,172	2,432,172
Share premium account	24	1,396,306	1,396,306
Share option reserve	24	-	12,428
Profit and loss reserves	24	736,198	1,733,207
<b>Total equity</b>		4,564,676	5,574,113

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes as it prepares group accounts. The company's loss for the year was £1,009,437 (2021 - £670,107 profit).

The financial statements were approved by the board of directors and authorised for issue on 4 August 2022 and are signed on its behalf by:

  
Charlene Lyons  
Chief Executive Officer

**THE BLACK SHEEP BREWERY PLC**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**AS AT 31 MARCH 2022**

	Share capital £	Share premium account £	Share option reserve £	Profit and loss reserves £	Total £
<b>Balance at 31 March 2020</b>	2,432,172	1,396,306	23,209	534,377	4,386,064
<b>Year ended 31 March 2021:</b>					
Transfer relating to lapsed options	-	-	(10,781)	10,781	
Profit and total comprehensive income for the year	-	-	-	910,904	910,904
<b>Balance at 31 March 2021</b>	2,432,172	1,396,306	12,428	1,456,062	5,296,968
<b>Year ended 31 March 2022:</b>					
Transfer relating to lapsed options	-	-	(12,428)	12,428	
Loss and total comprehensive income for the year	-	-	-	(1,107,784)	(1,107,784)
<b>Balance at 31 March 2022</b>	2,432,172	1,396,306	-	360,706	4,189,184

**THE BLACK SHEEP BREWERY PLC**  
**COMPANY STATEMENT OF CHANGES IN EQUITY**  
**AS AT 31 MARCH 2022**

	Share capital £	Share premium account £	Share option reserve £	Profit and loss reserves £	Total £
<b>Balance at 31 March 2020</b>	2,432,172	1,396,306	23,209	1,052,319	4,904,006
<b>Year ended 31 March 2021:</b>					
Transfer relating to lapsed options	-	-	(10,781)	10,781	-
Profit and total comprehensive income for the year	-	-	-	670,107	670,107
<b>Balance at 31 March 2021</b>	2,432,172	1,396,306	12,428	1,733,207	5,574,113
<b>Year ended 31 March 2022:</b>					
Transfer relating to lapsed options	-	-	(12,428)	12,428	-
Loss and total comprehensive income for the year	-	-	-	(1,009,437)	(1,009,437)
<b>Balance at 31 March 2022</b>	2,432,172	1,396,306	-	736,198	4,564,676

**THE BLACK SHEEP BREWERY PLC**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**AS AT 31 MARCH 2022**

	Notes	2022 £	£	2021 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	28		300,472		329,832
<b>Investing activities</b>					
Purchase of tangible fixed assets		(715,352)		(1,511,658)	
<b>Net cash used in investing activities</b>			(715,352)		(1,511,658)
<b>Financing activities</b>					
Proceeds of pre inception loan				183,682	
Repayment of pre inception loan finance		-	(984,086)		
Proceeds of new bank loans		-	3,125,000		
Proceeds of new finance lease		174,900		1,613,619	
Repayment of bank loans		(400,164)	(411,093)		
Payment of finance leases obligations		(159,699)	(34,098)		
Interest paid		(196,122)	(133,973)		
Interest element of hire purchase		(84,665)	(17,300)		
<b>Net cash (used in)/generated from financing activities</b>			(665,750)		3,341,751
<b>Net (decrease)/ increase in cash and cash equivalents</b>			(1,080,630)		2,159,925
Cash and cash equivalents at beginning of year			631,509		(1,528,416)
<b>Cash and cash equivalents at end of year</b>			(449,121)		631,509
<b>Relating to:</b>					
Cash at bank and in hand			119,993		1,263,523
Bank overdrafts included in creditors payable within one year			(569,114)		(632,014)

# THE BLACK SHEEP BREWERY PLC

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2022

### 1 Accounting policies

#### Company Information

The Black Sheep Brewery PLC ("the company") is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is Wellgarth, Masham, Ripon, North Yorkshire, HG4 4EN.

The group consists of The Black Sheep Brewery PLC and its subsidiaries details of which are set out in note 13.

The company's and the group's principal activities and nature of their operations are disclosed in the Directors' Report.

#### Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (accounts and Reports) Regulations 2008.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts, in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

#### Reduced disclosures

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The company has taken advantage of the disclosure exemptions of Section 33.1A of FRS 102 which permit it to not present details of its transactions with members of the group, on the grounds that those entities are related by virtue having the same control as defined by 33.11(b).

#### Basis of consolidation

The consolidated financial statements incorporate those of The Black Sheep Brewery PLC and its subsidiaries. Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 March 2022. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

# THE BLACK SHEEP BREWERY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### AS AT 31 MARCH 2022

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#### 1 Accounting policies (Continued)

##### Business combinations

The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

##### Going concern

The group recorded a loss before tax of £1,184,343, reported a net asset position of £4,189,184 and had net current liabilities of £601,635 (2021: assets £980,328). The Chairman's statement and CEO's report set out in more detail the result for the year to 31 March 2022 as well as the principal risks facing the business and the current trading environment in which the business operates within.

The directors have prepared forecasts for the 12 months from the date of signing which show that the group is able to meet its obligations as they fall due. The directors have made an assessment of the speed of recovery of the hospitality sector and they do not expect a further lockdown or reintroduction of material social distancing measures. In making this assessment the directors particularly considered the additional headroom available from refinancing loans after the year end as set out in note 18. The directors consider that risks remain within the brewing sector and wider economy as a consequence of the Covid-19 virus but assess that there will be no material reintroduction of Covid-19 measures in the foreseeable future. The directors have considered all the factors noted above and consider that it is appropriate to prepare the financial statements on a going concern basis.

##### Turnover

Turnover represents sales of goods, net of discounts and rebates, exclusive of Value Added Tax but inclusive of beer duty. Revenue is recognised when control and ownership of the product passes to the customer. Turnover is recognised at the point of delivery of goods for brewery customers and point of sale for retail customers.

Turnover is recognised at the fair value of the consideration received or receivable for sale of goods and services to external customers in the ordinary course of business. The fair value of consideration takes into account trade discounts and volume rebates.

##### Negative goodwill

Negative goodwill arises when the cost of a business combination is less than the fair value of the interest in the identifiable assets, liabilities and contingent liabilities acquired. The amount up to the fair value of the non-monetary assets acquired is credited to profit or loss in the period in which those non-monetary assets are recovered. Negative goodwill in excess of the fair values of the non-monetary assets acquired is credited to profit or loss in the periods expected to benefit.

The negative goodwill arising on the acquisition in 2019 of £142,743 is being released to the profit and loss in line with the realisation of the assets to which it relates. The balance of £48,186 at 31 March 2022 continues to be released to profit and loss in line with the depreciation of the leasehold properties. The leasehold properties are being depreciated over their lease terms which were 13 to 15 years at the date of acquisition.

The amortisation charge of £4,337 for the period is included within administrative expenses in the consolidated income statement.

##### Other income

Other income represents amounts received from HMRC in relation to furloughed employees, the proceeds from insurers for business interruption and the settlement of a legal dispute. Insurance proceeds and associated costs have been recognised in the period where they related to losses from previous or current periods.

**THE BLACK SHEEP BREWERY PLC**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS AT 31 MARCH 2022**

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**1 Accounting policies (Continued)**

**Tangible fixed assets**

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses. Cost represents purchase price together with any incidental costs of acquisition. Direct internal costs incurred on major projects are included in the value of assets along with capitalised interest where appropriate.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives once they are brought into use on the following bases:

Freehold property	50 years
Leasehold property	over the term of the lease
Plant & machinery	3 to 15 years
Motor vehicles	4 to 5 years

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

**Fixed asset investments**

In the separate accounts of the company, interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

**Impairment of fixed assets**

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

**Stocks**

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell.

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.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

# THE BLACK SHEEP BREWERY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 MARCH 2022

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### 1 Accounting policies (Continued)

#### Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### Financial instruments

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

Financial instruments are recognised when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### Basic financial assets

Basic financial assets, which include trade and other debtors and amounts owed by group undertakings, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

#### Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

#### Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

#### Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

The group has forward contracts to fix the price for the purchase of hops, however these are not recognised as physical delivery of the goods is taken and this is a commitment for the purpose of trade and as such are excluded from the scope of section 12 of FRS 102.

**THE BLACK SHEEP BREWERY PLC**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS AT 31 MARCH 2022**

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**1 Accounting policies (continued)**

**Basic financial liabilities**

Basic financial liabilities, including trade and other creditors, accruals, bank overdrafts and bank loans, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

**Derecognition of financial liabilities**

Financial liabilities are derecognised when, and only when, the group's contractual obligations are discharged, cancelled, or they expire.

**Equity instruments**

Equity instruments issued by the group are recorded at the fair value of proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

**Taxation**

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination and the amounts that can be deducted or assessed for tax. The deferred tax recognised is adjusted against goodwill.

**Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

# THE BLACK SHEEP BREWERY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 MARCH 2022

### 1 Accounting policies (Continued)

#### Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

#### Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### Share-based payments

The group grants share options ("equity-settled share-based payments") to certain employees.

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using a systematic and objective model. Fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

#### Lapsed options and cancellations

Where options lapse, the related value of share based payments are transferred to retained earnings.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

### 2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

#### Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

#### Exceptional costs

The directors have classified certain costs as exceptional having judged that they are non-recurring in nature. The impact on the accounts is demonstrated by adding these costs back to show an adjusted operating loss for the year (see note 6).

#### Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

**THE BLACK SHEEP BREWERY PLC**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS AT 31 MARCH 2022**

**2 Judgements and key sources of estimation uncertainty (continued)**

**Assessment of asset carrying values**

The impact of coronavirus on the brewing sector and wider economy has been considered by the directors in preparing these accounts. The directors have carefully considered whether the Group's assets are carried at appropriate values. This included preparing detailed forecasts and assessing whether the carrying value of assets is supported by their value in use. Discount rates applied in the calculations varied between 10% and 13% and applied long term growth rates of 2.5%. The directors have concluded that the forecasts which include an assessment of the recovery of sales to normal levels support the values recognised in the accounts.

**3 Turnover and other revenue**

Turnover is generated by the principal activities of the group as disclosed in the Directors' Report on page 8. Group turnover included sales from brewed products of £11,755,579 (2021 - £11,790,718) and retail sales of £2,503,892 (2021 - £1,505,155). Of the brewed products, £268,568 (2021 - £247,136) related to export revenues.

**4. Employees**

The average monthly number of persons (including directors) employed during the year was:

	Group 2022 Number	2021 Number	Company 2022 Number	2021 Number
Production and packaging	33	24	33	24
Sales and distribution	22	27	22	27
Administration	14	16	14	16
Retail	56	59	-	-
	125	126	69	67

Their aggregate remuneration comprised:

	Group 2022 £	2021 £	Company 2022 £	2021 £
Wages and salaries	2,825,309	2,617,755	2,080,293	1,884,954
Social security costs	253,487	199,622	205,742	161,793
Pension costs	163,686	154,928	146,439	135,367
	3,242,482	2,972,305	2,432,474	2,182,114
Furlough contribution from HMRC	(103,967)	(1,086,822)	(52,468)	(626,429)
	3,138,515	1,885,483	2,380,006	1,555,685

**5. Directors' remuneration**

	2022 £	2021 £
Remuneration for qualifying services	293,990	196,146
Company pension contributions to defined contribution schemes	43,396	19,655
	337,386	215,801

The number of directors for whom retirement benefits accrued under defined contribution schemes amounted to 3 (2021 - 2). In 2021 directors remuneration was reduced by voluntary salary reductions and furlough of directors during the pandemic.

**THE BLACK SHEEP BREWERY PLC**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS AT 31 MARCH 2022**

**5. Directors' remuneration (continued)**

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2022 £	2021 £
Remuneration for qualifying services	100,339	113,388
Company pension contributions to defined contribution schemes	17,075	12,969

**6. Operating (loss)/profit**

**a) Operating (loss)/profit for the year is stated after charging/(crediting):**

	2022 £	2021 £
Depreciation of owned tangible fixed assets	675,645	639,307
Depreciation of tangible fixed assets held under finance leases	108,718	8,765
Loss on disposal of tangible fixed assets	1,027	-
Amortisation of negative goodwill	(4,337)	(4,337)
Operating lease charges	320,876	336,342

**b) Exceptional costs**

	2022 £	2021 £
Redundancy and other costs	81,363	337,545
Losses from Covid related commissioning delays	52,987	-
Costs arising from change of logistics provider	18,849	-
<b>Total exceptional costs</b>	<b>153,199</b>	<b>337,545</b>

**Exceptional income**

	2022 £	2021 £
Net insurance proceeds	161,395	2,268,605
Net proceeds of resolution of legal dispute	-	136,142
<b>Total exceptional income</b>	<b>161,395</b>	<b>2,404,747</b>

Following a fundamental restructuring in 2021, further exceptional redundancy costs arose due to strategic changes arising from the pandemic.

As a consequence of delays in visits by engineers to fully commission packaging equipment raw material losses were incurred amounting to £52,987. A change in logistics provider for our off trade deliveries also resulted in one off costs of £18,849.

In March 2021 the Company resolved long term litigation to protect the use of the Black Sheep brand. Insurance proceeds of £161,395 (2021 - £2,268,605) relate to a claim under the Group's business interruption insurance policy. The amount credited in 2022 comprised £118,930 related to the Company and £42,465 to its subsidiary. The amount relating to 2021 was £1,852,879 (net of £70,000 of costs) for the company and £485,726 for its subsidiary.

**THE BLACK SHEEP BREWERY PLC**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS AT 31 MARCH 2022**

**6. Operating (loss)/profit (continued)**

**c). Other**

During both periods the Group received support from the government and local authorities which assisted in enabling the group to continue to trade during the disruption caused by Coronavirus. Amounts received were local authority grants of £72,985 (2021 - £156,722) and furlough payments of £103,967 (2021 - £1,086,822). The local authority grants are netted against administrative expenses and furlough receipts are shown in other income.

**7. Auditor's remuneration**

Fees payable to the company's auditor and its associates:	2022 £	2021 £
<b>For audit services</b>		
Audit of the financial statements of the group and company	27,500	40,000
Audit of the financial statements of the company's subsidiaries	12,000	6,000
	<b>39,500</b>	<b>46,000</b>
<b>For other services</b>		
Taxation compliance services	5,000	5,000
Other taxation services	-	-
All other non-audit services	-	-
	<b>5,000</b>	<b>5,000</b>

The fees in 2021 were paid to RSM, whilst the fees in 2022 are payable to Azets Audit Services Limited.

**8. Interest payable and similar expenses**

	2022 £	2021 £
Interest on bank overdrafts and loans	196,122	217,827
Interest on finance leases and hire purchase contracts	84,665	17,300
Contribution from government for interest charged on CBIL loan	-	(83,854)
<b>Total finance costs</b>	<b>280,787</b>	<b>151,273</b>

**9. Taxation**

	2022 £	2021 £
<b>Current tax</b>		
UK corporation tax charge on (losses)/profits for the current period	-	-
Adjustments in respect of prior periods	(25,613)	(48,442)
<b>Total current tax</b>	<b>(25,613)</b>	<b>(48,442)</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	345,237	409
Losses carried forward	(403,337)	-
Adjustment in respect of prior periods	7,154	-
<b>Total deferred tax</b>	<b>(50,946)</b>	<b>409</b>
<b>Total tax credit for the year</b>	<b>(76,559)</b>	<b>(48,033)</b>

**THE BLACK SHEEP BREWERY PLC**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS AT 31 MARCH 2022**

**9. Taxation (continued)**

The total tax charge for the year included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2022 £	2021 £
(Loss)/profit before taxation	(1,184,343)	862,871
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	(225,025)	163,945
Tax effect of expenses that are not deductible in determining taxable profit	3,510	4,347
Effect of tax losses not previously recognised	-	(186,962)
Adjustments in respect of prior years	(18,447)	(48,442)
Effect of changes in corporation tax rate	138,212	-
Fixed asset timing differences	25,191	22,567
Other prior-period adjustments	-	(3,488)
Taxation credit for the year	(76,559)	(48,033)

**10. Intangible fixed assets**

Group	Negative goodwill £
<b>Cost</b>	
At 31 March 2022	(142,743)
<b>Amortisation and impairment</b>	
At 31 March 2021	(90,220)
Amortisation charged for the year	(4,337)
At 31 March 2022	(94,557)
Carrying amount	
At 31 March 2022	(48,186)
At 31 March 2021	(52,523)

The company had no other intangible fixed assets at 31 March 2022 or 31 March 2021.

The amortisation charge for the year is included within administrative expenses in the consolidated income statement.

**THE BLACK SHEEP BREWERY PLC**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS AT 31 MARCH 2022**

**11. Tangible fixed assets**

<b>Group</b>	<b>Freehold property £</b>	<b>Leasehold property £</b>	<b>Plant &amp; machinery £</b>	<b>Motor vehicles £</b>	<b>Total £</b>
<b>Cost</b>					
At 1 April 2021	8,512,359	568,637	11,445,716	387,665	20,914,377
Additions	-	-	662,352	53,000	715,352
Disposals	-	-	(1,027)	-	(1,027)
<b>At March 2022</b>	<b>8,512,359</b>	<b>568,637</b>	<b>12,107,041</b>	<b>440,665</b>	<b>21,628,702</b>
<b>Depreciation and impairment</b>					
At 1 April 2021	2,451,623	82,088	7,775,695	383,578	10,692,984
Depreciation charged in the year	169,316	41,229	568,047	5,771	784,363
<b>At 31 March 2021</b>	<b>2,620,939</b>	<b>123,317</b>	<b>8,343,742</b>	<b>389,349</b>	<b>11,477,347</b>
<b>Carrying amount</b>					
At 31 March 2022	5,891,420	445,320	3,763,299	51,316	10,151,355
At 31 March 2021	6,060,736	486,549	3,670,021	4,087	10,221,393

Included in fixed assets is capitalised interest amounting to £96,953 (2021 - £92,953). Interest is capitalised based on amounts of interest charged on the assets concerned prior to them being brought in to use

<b>Company</b>	<b>Freehold property £</b>	<b>Plant &amp; machinery £</b>	<b>Motor vehicles £</b>	<b>Total £</b>
<b>Cost</b>				
At 31 March 2021	8,512,359	11,118,211	387,665	20,018,235
Additions	-	507,736	53,000	560,736
Disposals	-	(1,027)	-	(1,027)
<b>At March 2022</b>	<b>8,512,359</b>	<b>11,624,920</b>	<b>440,665</b>	<b>20,577,944</b>
<b>Depreciation and impairment</b>				
At 31 March 2021	2,451,623	7,644,759	383,578	10,479,960
Depreciation charged in the year	169,316	478,386	5,771	653,473
<b>At 31 March 2021</b>	<b>2,620,939</b>	<b>8,123,145</b>	<b>389,349</b>	<b>11,133,433</b>
<b>Carrying amount</b>				
At 31 March 2022	5,891,420	3,501,775	51,316	9,444,511
At 31 March 2021	6,060,736	3,473,452	4,087	9,538,275

Plant & machinery for the group and company in 2021 included £2,339,062 of packaging line assets not in use at year end. Depreciation of these assets commenced following commissioning during the year.

**THE BLACK SHEEP BREWERY PLC**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS AT 31 MARCH 2022**

**11. Tangible fixed assets (continued)**

The net carrying value of tangible fixed assets for the Group and the Company includes the following in respect of assets held under finance leases:

	Group 2022 £	2021 £	Company 2022 £	2021 £
Plant and machinery	1,751,002	1,686,790	1,751,002	1,686,790
Depreciation charge for the year in respect of leased assets	108,718	8,765	108,718	8,765

**12. Fixed asset investments**

	Notes	Group 2022 £	2021 £	Company 2022 £	2021 £
Investments in subsidiaries	13	-	-	100	100

**Movements in fixed asset investments**

Company	2021 Shares in group undertakings
<b>Cost</b>	
At 1 April 2021	100
Additions	8,765
At 31 March 2022	100
<b>Carrying amount</b>	
At 31 March 2022	100
At 31 March 2021	100

**13. Subsidiaries**

Details of the company's subsidiaries at 31 March 2022 are as follows:

Name of undertaking	Registered Office	Nature of business	Class of Shares held	Direct	% held Indirect
BSB Retail Limited	Wellgarth, Masham, Ripon, North Yorkshire, HG4 4EN	Operation of pubs	Ordinary	100.00	-
BSB Retail (Property) Limited *	Wellgarth, Masham, Ripon, North Yorkshire, HG4 4EN	Dormant	Ordinary	-	100.00
The York Brewery Co.Ltd *	Wellgarth, Masham, Ripon, North Yorkshire, HG4 4EN	Dormant	Ordinary	-	100.00

\*denotes subsidiary is exempt from audit by virtue of s480 of Companies Act

**THE BLACK SHEEP BREWERY PLC**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS AT 31 MARCH 2022**

**14. Stocks**

	Group 2022 £	2021 £	Company 2022 £	2021 £
Raw materials and consumables	623,509	557,306	623,509	557,306
Finished goods and goods for resale	1,015,729	818,024	848,122	697,190
	1,639,238	1,375,330	1,471,631	1,254,496

**15. Debtors**

	Group 2022 £	2021 £	Company 2022 £	2021 £
<b>Amounts falling due within one year:</b>				
Trade debtors	1,802,089	1,835,501	1,895,949	1,835,501
Amounts owed by group undertakings	-	-	913,550	913,550
Prepayments and accrued income	537,083	1,418,471	378,942	1,302,686
	2,339,172	3,253,972	3,188,441	4,051,737

Included within accrued income in the prior year is £1,163,605 representing business interruption insurance proceeds received after year end. These amounts relate to compensation for losses in the year ended 31<sup>st</sup> March 2021.

**16. Creditors: amounts falling due within one year**

	Notes	Group 2022 £	2021 £	Company 2022 £	2021 £
Bank loans and overdrafts	18	1,210,330	1,143,272	1,210,330	1,143,272
Obligations under finance leases	19	169,673	195,660	169,673	195,660
Trade creditors		1,763,657	1,772,521	1,527,602	1,617,437
Corporation tax payable		-	-	-	-
Other taxation and social security		1,072,877	1,119,296	974,585	1,060,702
Other creditors		45,367	26,956	45,367	26,956
Accruals and deferred income		438,134	654,792	409,634	646,064
		4,700,038	4,912,497	4,337,191	4,689,791

**17. Creditors: amounts falling due after more than one year**

	Notes	Group 2022 £	2021 £	Company 2022 £	2021 £
Bank loans and overdrafts	18	3,286,408	3,816,530	3,286,408	3,816,530
Obligations under finance leases	19	1,499,136	1,457,948	1,499,136	1,457,948
		4,785,544	5,274,478	4,785,544	5,274,478

Amounts included above which fall due after five years are as follows:

Payable by instalments	1,313,164	1,732,784	1,313,164	1,732,784
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**THE BLACK SHEEP BREWERY PLC**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS AT 31 MARCH 2022**

**18. Borrowings**

	Group 2022 £	2021 £	Company 2022 £	2021 £
Bank loans	3,927,624	4,327,788	3,927,624	4,327,788
Bank overdrafts	569,114	632,014	569,114	632,014
	4,496,738	4,959,802	4,496,738	4,959,802
Payable within one year	1,210,330	1,143,272	1,210,330	1,143,272
Payable due between one and five years	2,761,912	3,151,378	2,761,912	3,151,378
Due after five years	524,496	665,152	524,496	665,152

The bank loans comprise a CBILS loan and a mortgage and are repayable in instalments over a period of up to 10 years from the reporting date and incur variable interest charges at a market rate of interest secured at the inception of the loan.

The Coronavirus Business Interruption Loan of £3,125,000, entered in to in August 2020 was repayable over five years with a balance to refinance at the end of August of £1,002,800.

The loans 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 and its subsidiaries assets including intellectual property.

Subsequent to the year end the Company obtained a loan of £1,600,000 under the Recovery Loan Scheme. Repayments for the first year are £5,000 per month with the balance repaid over 4 years. The CBILS loan was restructured at the same time and is repayable over six years from July 2022 with payments for the first year of £20,000 per month with the balance repayable over 5 years.

**19. Finance lease obligations**

	Group 2022 £	2021 £	Company 2022 £	2021 £
Future minimum lease payments due under finance leases:				
Less than one year	169,673	195,660	169,673	195,660
Between one and five years	710,468	390,316	710,468	390,316
Due after 5 years	788,668	1,067,632	788,668	1,067,632
	1,668,809	1,653,608	1,668,809	1,653,608

Finance leases of £174,900 (2021 - £1,613,570) were entered in to in the year. These lease agreements are repayable, plus interest on a reducing balance basis over a period of up to ten years. There is a future interest commitment of £396,060 in addition to the capital payments shown above.

Finance lease agreements are primarily secured on the packaging plant.

**THE BLACK SHEEP BREWERY PLC**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS AT 31 MARCH 2022**

**20. Retirement benefit schemes**

<b>Defined contribution schemes</b>	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Charge to profit or loss in respect of defined contribution schemes	163,686	154,928

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

Employer contributions totalling £13,838 (2021 - £12,270) were payable to the scheme at the end of the period and are included in creditors.

**21. Deferred taxation**

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

<b>Group</b>	<b>Liabilities</b>	<b>Liabilities</b>
	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Accelerated capital allowances	1,235,342	701,234
Short term timing differences	(4,558)	(2,263)
Losses carried forward	(703,978)	(121,219)
	<b>526,806</b>	<b>577,752</b>

<b>Company</b>	<b>Liabilities</b>	<b>Liabilities</b>
	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Accelerated capital allowances	1,120,827	607,420
Short term timing differences	(4,221)	(1,885)
Losses carried forward	(697,015)	(121,219)
	<b>419,591</b>	<b>484,316</b>

<b>Deferred taxation</b>	<b>Group</b>	<b>Company</b>
	<b>2022</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
<b>Movements in the year:</b>		
Liability at 1 April 2021	577,752	484,316
Credit to profit or loss	(50,946)	(64,725)
<b>Liability at 31 March 2022</b>	<b>526,806</b>	<b>419,591</b>

Deferred tax is provided at 25% which is the rate enacted at the year end date (2021- 19%). The losses and short term differences are expected to reverse in one to three years. The accelerated capital allowances will reverse over the life of the assets which is up to 15 years.

**THE BLACK SHEEP BREWERY PLC**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS AT 31 MARCH 2022**

**22. Share capital**

	2022 £	2021 £
<b>Ordinary share capital</b>		
<b>Authorised</b>		
2,750,000 Ordinary shares of £1 each	2,750,000	2,750,000
<b>Issued and fully paid</b>		
Ordinary shares of £1 each at 31 March 2020	2,432,172	2,432,172
Issued during the year	-	-
Ordinary shares of £1 each at 31 March 2021	2,432,172	2,432,172

*Ordinary share rights*

The company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the company.

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

**Shareholders breakdown**

Shares held at 31 March 2022:

	Number of shareholders	%	% holding in the company
1 – 1,000	900	73	15
1,001 – 5,000	278	23	28
5,001 and above	56	4	57
<b>Total</b>	<b>1,234</b>	<b>100</b>	<b>100</b>

**23. Share based payments**

**Equity-settled share-based payments**

The company operates SAYE and EMI schemes. There were no options outstanding under any scheme at the end of the year.

The SAYE share option schemes are available to all employees of the company with one year service. 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:

	2022	Weighted average exercise Price	2021	Weighted average exercise Price
	Shares under option		Shares under option	
Outstanding at beginning of year	8,000	4.30	27,804	3.37
Granted during the year	-	-	-	-
Forfeited during the year	-	-	(11,804)	2.53
Exercised during the year	-	-	-	-
Expired during the year	(8,000)	4.30	(8,000)	3.68
<b>Outstanding at the end of the year</b>	<b>-</b>	<b>-</b>	<b>8,000</b>	<b>4.30</b>
<b>Exercisable at the end of the year</b>	<b>-</b>	<b>-</b>	<b>8,000</b>	<b>4.30</b>

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The weighted average fair value of options granted is determined using a systematic and objective model.

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

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

**24. Reserves**

**Share premium**

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

**Share option reserve**

The cumulative share-based payment expense, less amounts transferred to profit and loss reserves on forfeiture or expiry of options.

**Profit and loss reserve**

Cumulative profit and loss net of distributions to owners.

**25. Profit/(loss) per share**

The group loss per share of 45.54p (2021 – profit of 37.45p) has been calculated on a loss of £1,107,784 (2021: profit – £910,904) and on a weighted average number of shares of 2,432,172 (2021 – 2,432,172). No material difference exists between dilutive EPS and basic EPS.

**26. Financial commitments, guarantees and contingent liabilities**

As in previous years, the company has entered into agreements to purchase hops in the future. The commitment at 31 March 2022 amounted to £133,747 (2021 – £179,870).

**27. Operating lease commitments Financial commitments, guarantees and contingent liabilities**

At the reporting date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

Property leases	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Within one year	201,000	201,000	-	-
Between one and five years	734,000	775,000	-	-
After 5 years	730,340	865,340	-	-
	1,665,340	1,841,340	-	-

Other	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Within one year	-	5,687	-	-
Between one and five years	-	-	-	-
	-	5,687	-	2021

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**28. Cash generated from group operations**

	2022 £	2021 £
(Loss)/profit for the year after tax	(1,107,784)	910,904
Adjustments for:		
Taxation credited	(76,559)	(48,033)
Finance costs	280,787	151,273
Tax recovered	74,055	-
Loss on disposal of tangible fixed assets	1,027	-
Adjustment on tangible fixed assets	-	(15,300)
Amortisation and impairment of intangible assets	(4,337)	(4,337)
Depreciation and impairment of tangible fixed assets	784,363	648,072
Movements in working capital:		
(Increase)/decrease in stocks	(263,908)	59,479
Decrease/(increase in debtors)	866,358	(841,036)
(Decrease) in creditors	(253,530)	(531,490)
<b>Cash generated from operations</b>	<b>300,472</b>	<b>329,832</b>

**29. Net debt**

	1 April 2021 £	Cashflow £	31 March 2022 £
Bank loans	511,258	(129,958)	641,216
Finance leases	195,660	25,987	169,673
Invoice financing facilities	632,014	62,900	569,114
<b>Debt due within 1 year</b>	<b>1,338,932</b>	<b>(41,071)</b>	<b>1,380,003</b>
Bank loans	3,816,530	530,122	3,286,408
Finance leases	1,457,948	(41,188)	1,499,136
Invoice financing facilities	-	-	-
<b>Debt due in more than 1 year</b>	<b>5,274,478</b>	<b>488,934</b>	<b>4,785,544</b>
<b>Total net debt</b>	<b>6,613,410</b>	<b>447,863</b>	<b>6,165,547</b>

**30. Related party transactions**

**Remuneration of key management personnel**

The remuneration of key management personnel of the group, including directors, is as follows.

	2022 £	2021 £
Aggregate compensation	571,986	595,992

Included in the key management personnel figure above are consultancy fees of £111,000 (2021 - £178,504) which were paid to directors.

**Other related party transactions**

There were no other related party transactions requiring disclosure.

## THE BLACK SHEEP BREWERY PLC

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 MARCH 2022

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#### 31. Events after the reporting date

Subsequent to the year end, the Company borrowed £1,600,000 under the Recovery Loan Scheme. At the same time the Company's CBILs borrowing was restructured. Further details are provided in Note 18.