



REPORT & ACCOUNTS

2017



Contents

Officers and Professional Advisers	1
Chairman's Statement	2
Managing Director's Report	3
The Directors' Report	4 to 5
The Strategic Report	6 to 7
Independent Auditor's Report to the Members	8 to 9
Profit and Loss Account	10
Balance Sheet	11
Statement of Changes in Equity	12
Statement of Cash Flows	13
Notes to the Financial Statements	14 to 30
The following pages do not form part of the audited statutory financial statements:	
Five Year Summary	31
Notice of Meeting	32 to 33
AGM Domestic Arrangements	34



THE BLACK SHEEP BREWERY PLC

Officers and professional advisers

The Board of Directors

Paul Theakston (Chairman)
Robert Theakston (Managing Director)
Stephen Constable (Finance Director)
Jo Theakston (Sales & Marketing Director)
Andrew Slee (Non-Executive)
Paul Nolan (Non-Executive)

Company Secretary

Stephen Constable

Registered office

Wellgarth
Masham
Ripon
North Yorkshire
HG4 4EN

Registrars

Capita Asset Services
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Auditor

RSM UK Audit LLP
Chartered Accountants
2 Whitehall Quay
Leeds
LS1 4HG

Bankers

Lloyds Bank plc
Thirsk Branch
PO Box 1000
BX1 1LT

Solicitors

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

Chairman's Statement

On the face of it, the results for the year look all too familiar, with an operating loss very little different to the year before.

It is true that trading conditions have continued to be challenging, that the cask beer sector is increasingly fragmented, with the roll call of micro brewers still growing, beer volumes nationally decreasing in the face of social pressures and challenges from other drinks, and so on, with the additional uncertainty brought about by Brexit and a foggy political landscape.

However, moaning about all this is pointless and counterproductive. It is current reality and the challenge and the priority for the Board and management of Black Sheep has been to reshape the business to bring it back to profitability as soon as possible.

Change starts at the top. By April this year the Board was reshaped and now consists of myself as Chairman, supported by two Non-Executive Directors in Andy Slee and Paul Nolan, with Rob Theakston as Managing Director, Steve Constable as Finance Director and Company Secretary and Jo Theakston as an Executive Director. Alan Dunn, formerly Production Director left Black Sheep in March 2017 and is not being replaced on the Board. During the year, an Operations Board was established, chaired by Rob Theakston and including the senior management team. Their remit is to be responsible for the day to day management of Black Sheep, leaving the Board properly to focus on strategy. Having a small and cohesive senior team is already making a dramatic difference to the tight and focussed management of the business.

The key indicators of the strengthening position of the business are the stabilising of beer volume sales, particularly of cask beer, an improving gross profit percentage, and a reduction in overhead costs year on year. Of course change itself brings cost, resulting in one off costs of £280,000 associated with the reshaping of the business; which when applied to the operating loss for the year of £437,000 resulted in an underlying operating loss of £157,000 (2016: £276,000).

Most importantly, there has been much work done in reshaping the beer and packaging portfolio, much better suited to the markets that Black Sheep is redirecting itself into. I would never have dreamed even five years ago that Black Sheep would be brewing a lager beer, but here we are in July 2017 with "54° North" being launched.

This has truly been a year of change. The full effect will be felt in the 2017/2018 year, when there will be continuing improvement in Black Sheep Brewery's performance.

A handwritten signature in black ink that reads "Paul Theakston".

Paul Theakston
Chairman

2 August 2017



Managing Director's report

Our strategic aims as we focus on the turnaround of Black Sheep have always been to move the business back onto a stable platform without compromising the brand integrity and guarding cash at all costs. Battling in the face of a fast-changing market, now more than 1900 brewers in the UK, as well as political uncertainty, consumer confidence and Brexit to name but a few, has meant that we have had to take a longer-term approach to the turnaround than we would have liked. It would have been very easy for us to discount the beer, drive the turnover forward and get a short-term boost to the bottom line, but long term, damage to the brand would have been done. In my view, that is not the right way to approach the long-term success of this business and your investment.

So, our plan of controlled change has been key. Time has been spent implementing strategic change, focussing on the areas such as sales, production and marketing that will help us build a platform that will undoubtedly lead to a profitable business. These themes have been at the forefront of our efforts through this year, and we have pushed harder to execute the changes necessary to be able to see the effects of these changes in the new financial year.

We have continued to challenge what we brew, the pack types and the mix of beers, to make sure that we have a range of beers that are capable of being sold in any market. In particular, our craft beers have been continually developed though this year and are now increasing sales growth in both the on and off trades. We have expanded Best Bitter into a mini keg for the first time in Bitter's history, and that is being well received. We have put together a Craft team that are tasked with generating new and interesting beers that will challenge everyone's perception of Black Sheep as a traditional ale brewer only.

Year on year we have held volumes in the on and off trades, with turnover holding at £18m and gross margins up by 0.2% on the prior year. Our operating loss for the year was £437,000 (2016: £439,000), of which £280,000 related to one off costs associated with the reshaping of the business, resulting in an underlying operating loss of £157,000 (2016: £276,000). We have worked hard to reduce the cost base of this high fixed cost business. Key however is that we have seen our underlying operating loss reduce by 43% year on year.

The effects of the changes we have made and the full year effect of the procurement project that ran through this year will be seen in the 2017/18 financial year. We have had a number of targeted initiatives that will deliver a minimum of £100,000 in savings in overheads year on year.

The challenge now is to build on the good work we have done so far, and continue to develop the top line sales. All the team are focussed on delivering that, and we have started the new financial year in a positive fashion.

Finally, Alan Dunn left the business at the end of March after 17 years as head brewer. I would personally like to thank him for his support and tenure as the guardian of quality, and the great beers that he created during his time here at Black Sheep. Phil Douglas has taken over the role of head brewer, and we are in excellent hands as we push on into the future.

I will as usual provide much more detail at the upcoming AGM and I look forward to seeing as many as can make it there.

Robert Theakston
Managing Director

2 August 2017

The Directors' report

The directors present their report and the financial statements of the company for the year ended 31 March 2017.

Principal activity

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

Results and dividends

The loss for the year, after taxation, amounted to £561,810. No dividends were paid or proposed. Further details on results are provided in the profit and loss account on page 10 and in the five year summary on page 31 which includes key performance indicators.

The directors and their interests in the shares of the company

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

Ordinary Shares of £1 each:

	At 31 March 2017	At 1 April 2016
Paul Theakston (Chairman)	144,844	144,844
Robert Theakston (Managing Director)	6,256	6,256
Stephen Constable (Finance Director)	7,484	7,484
Alan Dunn (Production Director) (Resigned 31 March 2017)	2,541	2,541
Jo Theakston (Sales & Marketing Director)	11,050	11,050
Anthony Robinson (Non-Executive) (Resigned 31 May 2016)	-	24,791
John Theakston (Non-Executive) (Resigned 31 May 2016)	-	52,633
Chris Bruton (Non-Executive) (Resigned 24 May 2016)	-	-
Andrew Slee (Non-Executive) (Appointed 1 June 2016)	-	-
Paul Nolan (Non-Executive) (Appointed 1 October 2016)	-	-

Directors' share options are shown in note 18 to the financial statements.

Statement of corporate governance

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

Policy on the payment of creditors

The company agrees terms and conditions which include payment details with its suppliers. Payment is made in accordance with those terms and conditions, provided the supplier has complied with them. The average number of trade creditor days as at 31 March 2017 was 38 days (2016 - 40).



The Directors' report continued

Directors' responsibilities

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

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

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

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

In so far as the directors are, individually, aware:

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

Auditor

A resolution for the reappointment of RSM UK Audit LLP for the ensuing year will be proposed at the forthcoming Annual General Meeting.

Signed on behalf of the directors

Stephen Constable
Company Secretary

Approved by the directors on 2 August 2017

The Strategic report

The Chairman's statement on page 2 and Managing Director's report on page 3 include details of the business strategy and expected future developments. In addition, the key performance indicators (KPI's) used in the business are set out in the Five Year Summary on page 31. When reviewing our balance sheet against last year it can be seen that our fixed asset base has remained consistent. Improvements in working capital management have resulted in trade debtors being £478,000 lower than the prior year and trade creditors increasing by £201,000. Stock holding has remained consistent. In addition it is worth noting that our net increase in cash and cash equivalents of £358,000 (2016: £470,000), is after debt repayments of £435,000 (2016: £452,000).

The movement in shareholders' funds is consistent with the retained loss for the period. No dividends have been paid or declared in the period.

Post balance sheet events

The Company's banking facilities were changed in May 2017. This was a decision taken by the Board to enable the Company to progress with its new strategic plan. This change also increased headroom on our facilities by increasing the amount and extending the term of our bank loan on a commercial interest rate.

Our industry is vulnerable to Government changes to legislation and taxation. The burden of beer duty, as detailed in the Five Year Summary, remains significant. Pubs continue to close while the number of microbreweries increase, operating with a competitive advantage due to excise relief for small brewers.

Financial risk management objectives and policies

The company's operations expose it to a variety of financial risks including the effects of changes in interest rates on debt, credit risk and liquidity risk.

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

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

Credit risk

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

Liquidity risk

The company's policy has been to ensure continuity of funding through working closely with providers of finance and by arranging funding for operations via loans and overdraft facilities.



The Strategic report continued

Cash flow interest rate risk

The company has bank borrowings which are susceptible to exposure to changes in interest rates. The directors continue to monitor the overall funding structure to limit any potential adverse effects interest rate fluctuations may have on the financial performance of the company.

Stephen Constable

Company Secretary

Approved by the directors on 2 August 2017

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

Opinion on financial statements

We have audited the financial statements on pages 10 to 30. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Scope of the audit of the financial statements

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and, based on the work undertaken in the course of our audit, the Strategic report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' report.

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

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

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.



THE BLACK SHEEP BREWERY PLC

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

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.

Hugh Fairclough (Senior Statutory Auditor)
For and on behalf of RSM UK AUDIT LLP, Statutory Auditor
Chartered Accountants
2 Whitehall Quay
Leeds
LS1 4HG

2 August 2017

Profit and Loss Account for the Year Ended 31 March 2017

		2017	2016
	Note	£	£
Turnover	3	17,997,868	18,257,605
Cost of sales		(13,242,959)	(13,472,849)
Gross profit		<u>4,754,909</u>	<u>4,784,756</u>
Distribution costs		(2,866,590)	(3,012,145)
Administrative expenses		(2,325,446)	(2,211,467)
Operating loss		<u>(437,127)</u>	<u>(438,856)</u>
Interest payable and similar charges	4	(198,659)	(168,578)
Loss on ordinary activities before tax	5	<u>(635,786)</u>	<u>(607,434)</u>
Tax on loss on ordinary activities	8	73,976	146,774
Loss for the financial year		<u>(561,810)</u>	<u>(460,660)</u>
Total comprehensive loss for the year		<u>(561,810)</u>	<u>(460,660)</u>

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



THE BLACK SHEEP BREWERY PLC

Balance Sheet as at 31 March 2017

	Note	2017		2016	
		£	£	£	£
Fixed assets					
Tangible assets	9		8,259,339		8,938,888
Current assets					
Stocks	10	1,193,530		1,110,633	
Debtors	11	2,307,148		2,767,031	
Cash at bank and in hand		6,407		6,295	
			<u>3,507,085</u>		<u>3,883,959</u>
Creditors: Amounts falling due within one year	12	<u>(4,700,629)</u>		<u>(4,834,063)</u>	
Net current liabilities			(1,193,544)		(950,104)
Total assets less current liabilities			<u>7,065,795</u>		<u>7,988,784</u>
Creditors: Amounts falling due after more than one year	13		(1,018,384)		(1,305,587)
Provisions for liabilities					
Deferred taxation	17		<u>(391,759)</u>		<u>(465,735)</u>
			<u>5,655,652</u>		<u>6,217,462</u>
Capital and reserves					
Called-up share capital	18		2,117,172		2,117,172
Share premium account	20		1,162,627		1,162,627
Share options reserve	20		89,958		146,934
Profit and loss account	20		2,285,895		2,790,729
Shareholders' funds			<u>5,655,652</u>		<u>6,217,462</u>

The financial statements on pages 10 to 30 were approved by the directors and authorised for issue on 2 August 2017 and are signed on their behalf by:

Robert Theakston
Director

Registered number: 02686985

Statement of changes in equity for the Year Ended 31 March 2017

	Called-up share capital £	Share premium account £	Share options reserve £	Profit and Loss Account £	Total £
Balance at 1 April 2015	2,117,172	1,162,627	141,865	3,251,389	6,673,053
Year Ended 31 March 2016					
Loss for the year	-	-	-	(460,660)	(460,660)
Share based payment charge	-	-	5,069	-	5,069
Balance as at 31 March 2016	2,117,172	1,162,627	146,934	2,790,729	6,217,462
Year Ended 31 March 2017					
Loss for the year	-	-	-	(561,810)	(561,810)
Transfer to profit or loss account	-	-	(56,976)	56,976	-
Balance as at 31 March 2017	2,117,172	1,162,627	89,958	2,285,895	5,655,652



THE BLACK SHEEP BREWERY PLC

Cash Flow Statement for the Year Ended 31 March 2017

	Note	2017		2016	
		£	£	£	£
Operating activities					
Cash generated from operations	21	1,075,668		1,267,546	
Income taxes received/(paid)		11,958		(803)	
Net cash from operating activities			1,087,626		1,266,743
Investing activities					
Payments to acquire tangible fixed assets		(96,212)		(185,856)	
Receipts from sale of fixed assets		433		10,003	
Net cash used in investing activities			(95,779)		(175,853)
Financing activities					
Repayment of bank loans		(218,939)		(282,893)	
Capital element of hire purchase		(215,893)		(169,371)	
Interest paid		(171,714)		(146,434)	
Interest element of hire purchase		(26,945)		(22,144)	
Net cash used in financing activities			(633,491)		(620,842)
Net increase in cash and cash equivalents			<u>358,356</u>		<u>470,048</u>
Cash and cash equivalents at beginning of year			(1,868,217)		(2,338,265)
Cash and cash equivalents at end of year			<u>(1,509,861)</u>		<u>(1,868,217)</u>
Cash and cash equivalents represent:-					
Bank balances and short term deposits included in cash at bank and in hand			6,407		6,295
Overdrafts included in "creditors: amounts falling due within one year"			(1,516,268)		(1,874,512)
			<u>(1,509,861)</u>		<u>(1,868,217)</u>

Notes to the Financial Statements for the Year Ended 31 March 2017

1. Accounting policies

General Information

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

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

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

Basis of accounting

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

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

Going concern basis of preparation

The Company recorded a loss for the year ended 31 March 2017 of £561,810 and had net current liabilities of £1,193,544. The Chairman's Statement and Managing Director's report set out in more detail the result for the year to 31 March 2017 as well the principal risks facing the business and the current trading environment in the brewing sector, which continues to be challenging.

The directors have prepared forecasts for the forthcoming 12 months which show that the Company will operate within its facilities. These forecasts reflect the current trading conditions as well as initiatives to return the Company to profitability, some of which are in place and others of which are scheduled to commence throughout the period of these forecasts. The directors consider that there remains the risk that trading conditions in the sector will deteriorate further. To mitigate that risk the directors have a number of further actions which will be implemented over the period. These actions enable the Company to continue to trade and meet its debts as they fall due.

The Company's banking facilities were changed in May 2017. This was a decision taken by the Board to enable the Company to progress with its new strategic plan. This change also increased headroom on our facilities by increasing the amount and extending the term of our bank loan on a commercial interest rate.

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

Functional and presentational currencies

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

Turnover

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



Notes to the Financial Statements for the Year Ended 31 March 2017

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.

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

Freehold Property	- 50 years
Plant & Machinery	- 3 to 15 years
Motor Vehicles	- 4 to 5 years

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

Impairment of fixed assets

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

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

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

Stock

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

Stocks at the end of the period are recorded at their latest purchase cost or production cost. On this basis raw materials are valued at purchase price and finished goods are valued at raw material cost plus a proportion of directly attributable labour and production overheads.

At each reporting date, the Company assesses whether stocks are impaired or if an impairment loss recognised in prior periods has reversed. Any excess of the carrying amount of stock over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss.

Reversals of impairment losses are also recognised in profit or loss.

Notes to the Financial Statements for the Year Ended 31 March 2017

1. Accounting policies (continued)

Taxation

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

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

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

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

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

Leases

The Company as Lessee – Finance Leases

An asset and corresponding liability are recognised for leasing agreements that transfer to the Company substantially all of the risks and rewards incidental to ownership (“finance leases”). The amount capitalised is the fair value of the leased asset or, if lower, the present value of the minimum lease payments payable during the lease term, both determined at inception of the lease. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are expensed as incurred.

The Company as Lessee – Operating Leases

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



Notes to the Financial Statements for the Year Ended 31 March 2017

1. Accounting policies (continued)

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.

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits

Defined contribution plans

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

Financial Instruments

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

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

Financial Assets

Trade debtors

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

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

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

Bank overdrafts

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

Notes to the Financial Statements for the Year Ended 31 March 2017

1. Accounting policies (continued)

Financial liabilities and equity

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

Trade creditors

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

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

Borrowings

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

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Share-based payments

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

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

Modifications and cancellations

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions (the "original fair value") and under the modified terms and conditions (the "modified fair value") are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

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



Notes to the Financial Statements for the Year Ended 31 March 2017

2. Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions

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

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 9 for the carrying amount of the property plant and equipment, and note 1 for the useful economic lives for each class of assets.

(ii) Lease classification

In categorising leases as finance leases or operating leases, management makes judgements as to whether significant risks and rewards of ownership have transferred to the Company as lessee, or the lessee, where the Company is a lessor.

3. Turnover

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

4. Interest payable and similar charges

	2017	2016
	£	£
Bank interest and charges	171,714	146,434
Hire purchase interest	26,945	22,144
	<u>198,659</u>	<u>168,578</u>

Notes to the Financial Statements for the Year Ended 31 March 2017

5. Loss on ordinary activities before tax

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

	2017	2016
	£	£
Depreciation of owned fixed assets	603,530	641,016
Depreciation of assets held under hire purchase agreements	172,231	152,329
Profit on disposal of fixed assets	(433)	(10,003)
Auditor's remuneration		
- as auditor	19,000	20,500
- non-audit services		
- Taxation	3,340	2,500
- Consulting	50,065	19,054
- Payroll	4,290	4,347
- Other	9,187	1,205
Stock		
- amounts expensed to cost of sales	5,488,227	5,558,620
- impairment losses recognised in cost of sales	-	80,591
Operating lease rentals	188,864	175,952
Share based payments	-	5,069
One-off restructuring costs	<u>280,389</u>	<u>-</u>

The one-off restructuring costs of £280,389 were associated with the reshaping of the business and were the result of people change and re-finance.

6. Particulars of employees

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

	2017	2016
	No	No
Production	19	19
Sales and distribution	33	34
Administration	12	12
Visitor centre	36	31
	<u>100</u>	<u>96</u>

The aggregate payroll costs of the above were:

	2017	2016
	£	£
Wages and salaries	2,406,789	2,468,666
Social security costs	236,394	244,154
Other pension costs	190,246	198,287
	<u>2,833,429</u>	<u>2,911,107</u>



THE BLACK SHEEP BREWERY PLC

Notes to the Financial Statements for the Year Ended 31 March 2017

7. Directors' remuneration

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

	2017	2016
	£	£
Remuneration receivable	458,386	456,950
Value of company pension contributions to defined contribution pension schemes	57,188	58,530
Compensation for loss of office	37,760	-
	<u>553,334</u>	<u>515,480</u>

Remuneration of highest paid director:

	2017	2016
	£	£
Total remuneration	125,982	97,697
Value of company pension contributions to defined contribution pension schemes	11,550	13,950
	<u>137,532</u>	<u>111,647</u>

It should be noted that the highest paid director in 2017 was Alan Dunn courtesy of his compensation for loss of office. If that had not taken place the like for like remuneration of the highest paid director would have fallen to £108,643 (2016: £111,647). The director did not exercise any share options during the period.

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

	2017	2016
	No	No
Defined contribution pension schemes	<u>5</u>	<u>5</u>

Notes to the Financial Statements for the Year Ended 31 March 2017

8. Taxation on ordinary activities

(a) Analysis of charge in the year

	2017 £	2016 £
In respect of the year:		
UK Corporation tax charge at 20% (2016 - 20%)	-	(12,703)
Adjustments in respect of prior periods	-	(58)
Total current tax	-	(12,761)
Deferred tax:		
Origination and reversal of timing differences	(48,103)	(73,375)
Effect of changes in the rate of tax	(25,873)	(60,696)
Adjustments in respect of prior periods	-	58
Total deferred tax (note 17)	(73,976)	(134,013)
Tax on loss on ordinary activities	<u>(73,976)</u>	<u>(146,774)</u>

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 20% (2016 - 20%).

	2017 £	2016 £
Loss on ordinary activities before taxation	<u>(635,786)</u>	<u>(607,434)</u>
Loss on ordinary activities by rate of tax	(127,157)	(121,487)
Effects of:		
Items not deductible for tax purposes	7,613	5,975
Adjustments to tax charge in previous periods	-	(58)
Other short term timing differences	-	(1,914)
Amounts relating to change in tax rates	(14,381)	(60,696)
Fixed asset timing differences	31,627	31,406
Tax losses not recognised as a deferred tax asset	28,322	-
Total tax credit (note 8(a))	<u>(73,976)</u>	<u>(146,774)</u>



THE BLACK SHEEP BREWERY PLC

Notes to the Financial Statements for the Year Ended 31 March 2017

9. Tangible fixed assets

	Freehold Property £	Plant & Machinery £	Motor Vehicles £	Total £
Cost				
At 1 April 2016	8,232,893	7,600,213	556,540	16,389,646
Additions	-	96,212	-	96,212
At 31 March 2017	<u>8,232,893</u>	<u>7,696,425</u>	<u>556,540</u>	<u>16,485,858</u>
Depreciation				
At 1 April 2016	1,660,938	5,395,677	394,143	7,450,758
Charge for the year	158,137	544,745	72,879	775,761
At 31 March 2017	<u>1,819,075</u>	<u>5,940,422</u>	<u>467,022</u>	<u>8,226,519</u>
Net book value				
At 31 March 2017	<u>6,413,818</u>	<u>1,756,003</u>	<u>89,518</u>	<u>8,259,339</u>
At 31 March 2016	<u>6,571,955</u>	<u>2,204,536</u>	<u>162,397</u>	<u>8,938,888</u>

Hire purchase agreements

Included within the net book value of £8,259,339 is £458,192 (2016 - £604,425) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £172,231 (2016 - £152,329).

10. Stocks

	2017 £	2016 £
Raw materials and consumables	498,588	540,343
Finished goods and goods for resale	694,942	570,290
	<u>1,193,530</u>	<u>1,110,633</u>

11. Debtors

	2017 £	2016 £
Trade debtors	2,217,777	2,696,406
Other debtors	9,740	3,673
Prepayments	79,631	66,149
Corporation tax	-	803
	<u>2,307,148</u>	<u>2,767,031</u>

Notes to the Financial Statements for the Year Ended 31 March 2017

12. Creditors: Amounts falling due within one year

	2017 £	2016 £
Bank overdraft (note 15)	1,516,268	1,874,512
Bank loan (note 15)	103,800	241,967
Trade creditors	1,585,531	1,384,645
Corporation tax	11,958	-
Other taxation and social security	629,728	709,924
Hire purchase agreements (note 15)	205,701	216,187
Other creditors	44,339	59,907
Accruals	603,304	346,921
	<u>4,700,629</u>	<u>4,834,063</u>

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

	2017 £	2016 £
Bank loans (note 15)	826,081	906,855
Hire purchase agreements (note 15)	162,830	368,237
	<u>988,911</u>	<u>1,275,092</u>
Other creditors	29,473	30,495
	<u>1,018,384</u>	<u>1,305,587</u>

14. Financial Instruments

The carrying amount of the Company's financial instruments at 31 March was:

Financial Assets	2017 £	2016 £
Debt instruments measured at amortised cost (<i>trade debtors</i>)	2,217,777	2,696,406
Total	<u>2,217,777</u>	<u>2,696,406</u>
Financial Liabilities	2017 £	2016 £
Measured at amortised cost (<i>trade creditors, accruals, hire purchase agreements, bank overdrafts and loans</i>)	5,029,513	5,339,324
Total	<u>5,029,513</u>	<u>5,339,324</u>



THE BLACK SHEEP BREWERY PLC

Notes to the Financial Statements for the Year Ended 31 March 2017

15. Borrowings

Amounts repayable:

	Bank loans and overdrafts £	Hire purchase agreements £	Total £
As at 31 March 2017			
Amounts payable within 1 year	1,620,068	205,701	1,825,769
Amounts payable between 1 and 2 years	103,800	133,210	237,010
Amounts payable between 2 and 5 years	311,400	29,620	341,020
Amounts payable after more than 5 years	410,881	-	410,881
	<u>2,446,149</u>	<u>368,531</u>	<u>2,814,680</u>
	Bank loans and overdrafts £	Hire purchase agreements £	Total £
As at 31 March 2016			
Amounts payable within 1 year	2,116,479	216,187	2,332,666
Amounts payable between 1 and 2 years	211,892	206,118	418,010
Amounts payable between 2 and 5 years	502,089	162,119	664,208
Amounts payable after more than 5 years	192,874	-	192,874
	<u>3,023,334</u>	<u>584,424</u>	<u>3,607,758</u>

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

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

The bank loans were repayable in instalments over a period of ten years from the balance sheet date and incurred interest variable charges at a market rate of interest secured at the inception of the loan.

The Company's banking facilities were changed in May 2017. This was a decision taken by the Board to enable the Company to progress with its new strategic plan. This change also increased headroom on our facilities by increasing the amount and extending the term of our bank loan on a commercial interest rate.

16. Pensions

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £190,246 (2016 - £198,287). Contributions totalling £18,727 (2016 - £19,665) were payable to the scheme at the end of the period and are included in creditors.

Notes to the Financial Statements for the Year Ended 31 March 2017

17. Deferred taxation

Provision for deferred tax has been made as follows:

	2017	2016
	£	£
Deferred tax liabilities	477,085	487,328
Deferred tax assets	(85,326)	(21,593)
Net position at 31 March	<u>391,759</u>	<u>465,735</u>

The deferred tax asset of £85,326 (2016 - £21,593) relates to short term timing differences.

The deferred tax liability of £477,085 (2016 - £487,328) relates to accelerated capital allowances.

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

	2017	2016
	£	£
At 31 March 2016	465,735	599,748
Profit and loss account movement during the year	(73,976)	(134,013)
At 31 March 2017	<u>391,759</u>	<u>465,735</u>

Deferred tax is provided at 17% (2016 - 18%).



THE BLACK SHEEP BREWERY PLC

Notes to the Financial Statements for the Year Ended 31 March 2017

18. Share capital

Authorised share capital:

	2017 £	2016 £
Ordinary shares of £1 each	<u>2,750,000</u>	<u>2,750,000</u>

Allotted, called up and fully paid:

	2017		2016	
	No	£	No	£
Ordinary shares of £1 each	<u>2,117,172</u>	<u>2,117,172</u>	<u>2,117,172</u>	<u>2,117,172</u>

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 £1 Ordinary shares issued on the exercise of share options.

The following options were outstanding under HMRC approved option schemes at 31 March 2017:

	Ordinary shares	Price £	Date of exercise
SAYE Scheme 19	17,922	2.60	November 2017
SAYE Scheme 20	21,119	2.53	January 2019
EMI Scheme 3	12,000	3.98	October 2012 – October 2019
EMI Scheme 4	12,000	3.68	June 2013 – June 2020
EMI Scheme 5	12,000	4.30	July 2014 – July 2021

Shareholders breakdown

Shares held at 1 June 2017	Number of Shareholders	%	% holding in the company
1 – 1,000	881	72	17
1,001 – 5,000	288	24	34
5,001 and above	52	4	49
	<u>1,221</u>	<u>100</u>	<u>100</u>

Notes to the Financial Statements for the Year Ended 31 March 2017

18. Share capital (continued)

Directors' share options

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

19. Loss per share

The loss per share of 26.5p (2016: loss of 21.8p) has been calculated on a loss of £561,810 (2016 loss: £460,660) and on a weighted average number of shares of 2,117,172 (2016: 2,117,172). No material difference exists between dilutive EPS and basic EPS.

20. Reserves

Reserves of the Company represent the following:

Share premium

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

Share options reserve

The cumulative share-based payment expense.

Profit and loss reserve

Cumulative profit and loss net of distributions to owners.



THE BLACK SHEEP BREWERY PLC

Notes to the Financial Statements for the Year Ended 31 March 2017

21. Notes to the cash flow statement

Reconciliation of loss after tax to net cash generated from operations

	2017 £	2016 £
Loss after tax	(561,810)	(460,660)
Depreciation of tangible fixed assets	775,761	793,345
Share based payment expense	-	5,069
Gain on disposal of fixed assets	(433)	(10,003)
Interest payable	198,659	168,578
Decrease in provisions	(73,976)	(134,013)
Taxation	-	(12,761)
Operating cash flows before movements in working capital	338,201	349,555
(Increase)/decrease in stocks	(82,897)	261,567
Decrease in debtors	458,861	702,500
Increase/(decrease) in creditors	361,503	(46,076)
Cash generated from operations	<u>1,075,668</u>	<u>1,267,546</u>

22. Capital commitments and other contractual obligations

Capital commitments

Amounts contracted for but not provided amounted to £150,000 in respect of future cask purchases (2016: £nil).

Financial commitments

As in previous years, the company has entered into agreements to purchase hops in the future over the next 4 years. The commitment at 31 March 2017 amounted to £541,070 (2016: £875,425) with an amount of £354,445 (2016: £421,055) due within the next 12 months.

23. Commitments under operating leases

The Company as a lessee:

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

	2017 £	2016 £
Within one year	73,570	100,165
Between one and five years	33,840	78,403
	<u>107,410</u>	<u>178,568</u>

Notes to the Financial Statements for the Year Ended 31 March 2017

24. Share-based payments

Equity-settled share-based payments

The company operates SAYE and EMI schemes.

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

	2017		2016	
	Shares under option	Weighted average exercise price	Shares under option	Weighted average exercise price
Outstanding at beginning of year	102,698	£3.23	106,034	£3.35
Granted during the year	-	-	21,900	£2.60
Forfeited during the year	(14,995)	£3.71	(10,103)	£2.60
Exercised during the year	-	-	-	-
Expired during the year	(12,662)	£2.60	(15,133)	£3.47
Outstanding at the end of the year	<u>75,041</u>	£3.25	<u>102,698</u>	£3.23
Exercisable at the end of the year	<u>36,000</u>	£3.99	<u>48,000</u>	£3.99

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

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

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

25. Remuneration of key management personnel

The total remuneration of the directors, who are considered to be the key management personnel of the Company, was £601,716 (2016 – £565,301).

26. Post balance sheet events

The Company's banking facilities were changed in May 2017. This was a decision taken by the Board to enable the Company to progress with its new strategic plan. This change also increased headroom on our facilities by increasing the amount and extending the term of our bank loan on a commercial interest rate.



THE BLACK SHEEP BREWERY PLC

Five Year Summary

	2013	2014	2015	2016	2017
	£'000	£'000	£'000	£'000	£'000
Profit and loss accounts					
Turnover	18,793	18,401	19,545	18,258	17,998
Beer duty payable	7,927	7,508	7,732	7,013	6,960
Profit before adjustments	477	764	940	360	618
Depreciation	(805)	(737)	(781)	(793)	(776)
Restructuring costs	(197)	-	-	-	(280)
Share-based payments charge	(12)	(8)	(4)	(5)	-
Net interest payable	(203)	(201)	(189)	(169)	(198)
Profit/(loss) on ordinary activities before taxation	(740)	(182)	(34)	(607)	(636)
Taxation on profit on ordinary activities	173	98	8	147	74
Profit/(loss) attributable to shareholders	(567)	(84)	(26)	(460)	(562)
Balance sheets					
Fixed assets	9,984	9,566	9,146	8,939	8,259
Net current liabilities	(687)	(553)	(458)	(950)	(1,193)
Creditors greater than one year	(1,785)	(1,682)	(1,415)	(1,306)	(1,018)
Provision - deferred taxation	(734)	(618)	(600)	(466)	(392)
Shareholders' funds	6,778	6,713	6,673	6,217	5,656
Earnings per share (pence)	(27.1)	(4.0)	(1.2)	(21.8)	(26.5)
Year end ratios					
Profit before adjustments to turnover (%)	2.5	4.2	4.8	2.0	3.4
Total net debt	3,890	3,898	4,038	3,603	2,808
Gearing - debt/shareholders' funds (%)	57	58	61	58	50
Share price at 31 March	£3.25	£3.00	£3.00	£3.00	£1.50

Stockbroker and Registrar information

The Ordinary shares in The Black Sheep Brewery plc are not quoted on any recognised investment exchange, such as the Official List of the London Stock Exchange or the Alternative Investment Market.

However, if you wish to trade in the company's shares, please note that we have recently moved our trading platform to Asset Match. Asset Match will run regular on line auctions to allow willing buyers and sellers of shares to trade. Black Sheep has an information page on the Asset Match website, although if you have any additional questions relating to Asset Match and the process, please contact them via blacksheep@assetmatch.com or on tel: 0207 248 2788.

If you are an existing shareholder and want to ask, or need any information, about your shareholding, please contact our registrar Capita Asset Services, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, tel: 0871 664 0300 (calls cost 10p per minute, lines are open 9.00am-5.30pm Monday-Friday). Alternatively, you can visit www.capitashareportal.com where you can amongst other things view details of your shareholding and update your details.

This page does not form part of the audited financial statements

Notice of meeting

NOTICE IS HEREBY GIVEN that the annual general meeting of the Company will be held at Masham Town Hall, Masham, Ripon, HG4 4DY on Thursday 21 September 2017 at 2.30pm for the following purposes:

Ordinary Business

1. To receive the Company's accounts and reports for the year ended 31 March 2017.
2. That Stephen Constable be reappointed as a director of the Company.
3. That Paul Nolan be reappointed as a director of the Company.
4. That Andrew Slee be reappointed as a director of the Company.
5. That Jonathan Theakston be reappointed as a director of the Company.
6. That Paul Theakston be reappointed as a director of the Company.
7. That Robert Theakston be reappointed as a director of the Company.
8. To re-appoint RSM UK Audit LLP as auditors and to authorise the directors of the Company to determine their remuneration.

Special Business

As special business, to consider and if thought fit pass the following resolutions which will be proposed as to resolution 9 as an ordinary resolution and as to resolution 10 as a special resolution:

9. That the directors are generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into such shares ("Allotment Rights"), but so that;
 - (a) the maximum amount of shares that may be allotted or made the subject of Allotment Rights under this authority are shares with an aggregate nominal value of £705,000 (being approximately one third of the issued share capital of the Company);
 - (b) this authority shall expire on 30 September 2018 or, if earlier, on the conclusion of the Company's next annual general meeting;
 - (c) the Company may make any offer or agreement before such expiry which would or might require shares to be allotted or Allotment Rights to be granted after such expiry; and
 - (d) all authorities vested in the directors on the date of the Notice of this meeting to allot shares or to grant Allotment Rights that remain unexercised at the commencement of this meeting are revoked.

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Notice of meeting continued

10. That the directors be empowered to allot equity securities (as defined in the Companies Act 2006) for cash pursuant to the authority conferred by resolution 9, as set out in the Notice of this meeting, and to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to such allotment or sale, such power to be limited to:

- (a) the allotment of equity securities and sale of treasury shares for cash in connection with an offer of, or an invitation to apply for, equity securities (whether by way of rights issue, open offer or otherwise) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings and to holders of other equity securities, as required by the rights of those securities or, as the board otherwise considers necessary, subject to any limits, restrictions or arrangements which the board considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and
- (b) the allotment of equity securities (other than pursuant to paragraph (a) above) up to an aggregate nominal amount of £105,000 (being approximately five per cent of the issued share capital of the Company)

such power to expire when the authority conferred on the directors by Resolution 9 in the Notice of this Meeting expires save that, before the expiry of this power, the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the power ends and the board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the power had not ended.

By Order of the Board

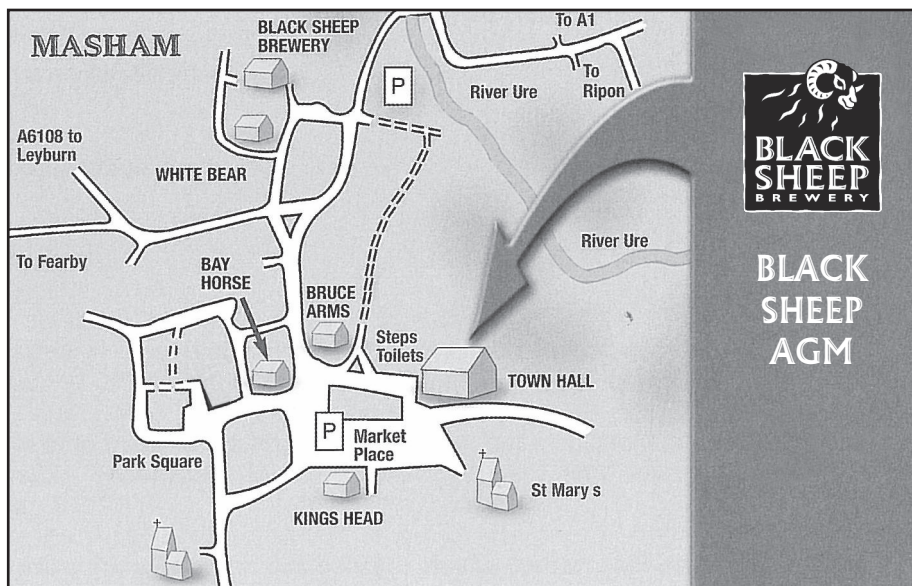
Stephen Constable
Company Secretary
2 August 2017

Note: A member entitled to attend and vote at the above Meeting is entitled to appoint one or more proxies to attend and vote on his/her behalf. A proxy need not also be a Member.

Annual General Meeting Thursday 21st September 2017 Domestic arrangements

- Location:** This year our AGM will once again be held in Masham Town Hall. After the meeting, the customary hospitality will be extended to everybody in the Brewery Visitor Centre. The map below gives directions. The Town hall is only a five minute walk from the Brewery. A shuttle bus will be operating between the Town Hall and the Visitor Centre after the meeting.
- Parking:** As in previous years, parking will be available in Masham Market Square and on the riverside grass area below the Brewery. Please note the Visitor Centre car park is being reserved for disabled parking.
- Lunch:** For those arriving early, the Visitor Centre Bistro will be open, where lunchtime drinks, meals or snacks can be purchased.
- Registration:** Registration for the meeting will be at the Town Hall only from 12.30pm. On registration, shareholders will be issued with a “pass”, which will make freely available all beer, refreshments and light snacks for the afternoon after the Meeting. As the Visitor Centre will remain open to the general public during the afternoon, please be sure to show the pass to staff when ordering, to avoid being charged.
- The Meeting:** Because of space limitations in Masham Town Hall, we are again requesting that **only shareholders** themselves attend the actual Annual General Meeting.
- Tours:** After the meeting there will be periodic tours round the Brewery.
- Shop:** The Shop will be open during the day. We are again offering shareholders a discount on beer purchases on the day - please remember to show that pass at the time. Transport will be available to help with bulk purchases of beer.

We look forward to welcoming you on the day.



This page does not form part of the audited financial statements



Notes



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