

# WADSWORTH

## and Company Limited

Registered Company Number: 00030177

# Annual Report 2016



**HARD CRAFT  
SINCE 1875**

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# Business Highlights

- **New 5 year strategic plan** implemented
- Additional **funding secured** for acquisitions
- **First Wadworth Managed pub in London opened;**  
The Kings Arms in Fulham
- **36 pubs** with **major investment** during the year
- **New strategic partnerships** formed with key suppliers
- **Investment in people** includes new high calibre appointments

“Developing and focusing on our five year strategic plan...”

## Total Revenue

2012	£55.2m	<b>+8.1%</b>
2013	£56.1m	
2014	£57.0m	
2015	£58.0m	
2016	£62.7m	

## Ebitda

2012	£8.707m	<b>+3.6%</b>
2013	£8.760m	
2014	£8.946m	
2015	£9.180m	
2016	£9.515m	

## Profit on Ordinary Activities

2012	£4.1471m	<b>+5.0%</b>
2013	£4.205m	
2014	£4.318m	
2015	£4.666m	
2016	£4.899m	



# Chairman's Statement

**C J E BARTHOLOMEW**  
Chairman

## Operational Review

This has been a transitional year for Wadworth. A new five-year strategic plan has been developed which will evolve the business and our future potential. Managed pubs have performed particularly strongly and the Tenanted Estate has delivered another improved performance despite having 9 fewer pubs due to disposals. Free Trade and National accounts businesses have been disappointing and therefore we have changed the structure and some personnel in this area to revitalise our sales plans and reinvigorate these routes to market. Brewery production performance continues to improve as are our own beer sales and following the centralisation of all operations to one site we are seeing continued cost synergies and savings come through.

## Accounting Standards

FRS 102 accounting standards have been adopted by the business and this report reflects these changes. The new standards impact the accounts with changes to pension scheme liability, rolled-over capital gains, financial instruments and holiday pay. This is a notional charge and there is no cash impact. The changes are explained in note 20. The figures quoted in the Chairman's Statement and the Directors' Report refer to the old UK GAAP to enable a like for like comparison. The Financial Review in the Directors' Report shows both formats.

## Results

Turnover was **£62.7M** (2015: £58m) and operating profit after interest and before exceptional items was **£4.899M** (2015: £4.666m), an increase of **5%**.

## Dividend

The Board is pleased to propose a final dividend of **16.80p** (2015 16.35p) per Ordinary and A Ordinary share. The total dividend per share becomes **24.15p** (2015: 23.45p), an increase of **3.0%**.

## Board of Directors

I am very pleased to welcome two new Directors to our Board this year, Jonathan Thomas, Sales Director and Rupert Bagnall, Operations Director for Managed Houses. Paul Sullivan left the Company in May and I thank him for his contribution to Wadworth during his 9 years. Sir James Butler is retiring after 22 years as a Director. From 1986 he acted as our financial consultant and for many years before this my father and I had consulted with him on various matters concerning the Company. I thank Sir James for his support and help to both my father and me over many years. My thanks also go to Ian Gordon-Finlayson who joined Wadworth as our Finance Director in 1992 and is also retiring from the Board this year. I am very pleased to announce that my cousin Edward Harford has agreed to join the Board.

## Outlook

Chris Welham, our CEO, has been at the helm of Wadworth for 12 months. With his drive and our new plans for the business we are starting to see the benefits of investment in people, pubs and brands. I would like to thank everyone working in our pubs, the brewery and support centre for their ongoing commitment and contribution to the Company and look forward to seeing further developments over the coming 12 months.



# Notice of Meeting

NOTICE IS HEREBY GIVEN THAT THE One hundred and twenty seventh Annual General Meeting of the Company will be held at The Bear Hotel, Devizes on Friday 16th December 2016, at 11.30 am for the following purposes:

## Ordinary Business

1. To receive and consider the Report of the Directors and the Statement of Accounts for the year ended 30 September 2016, together with the Auditors' Report thereon.
2. To declare a final dividend of 16.80p on the Ordinary and "A" Ordinary Shares.
3. That the following be substituted for Article 1D of the current Articles of Association of the Company: Unless and until otherwise determined by ordinary resolution of the Company, the Directors shall be not less than three nor more than 10 in number.
4. To elect Mr E Harford as a Director of the Company.
5. To re-elect Mr A G Percy as a Director of the Company.
6. To confirm the appointment of Mr J Thomas as a Director of the Company.
7. To confirm the appointment of Mr R Bagnall as a Director of the Company.
8. To re-elect David Owen & Co as Auditors.
9. To transact any other ordinary business of the Company.

Dated 17 November 2016

By order of the Board

**A G PERCY** | Secretary

Registered Company Name: Wadworth and Company Limited

Registered Company Number: 00030177

# Financial Diary

<b>January 3</b>	Final Dividend on Ordinary and "A" Ordinary Shares.
<b>March 31</b>	Half-Yearly Dividend on 10.25% and 9.5% Preference Shares
<b>May 26</b>	Announcement of interim results for half year to 31 March 2017, Interim Dividend on Ordinary and "A" Ordinary shares.
<b>September 29</b>	Half-Yearly Dividend on 10.25% and 9.5% Preference Shares
<b>November 24</b>	Announcement of the results for the year ended 30 September 2017
<b>December 18</b>	Annual General Meeting



# Directors' Report

The Directors present their report and the accounts for the year ended 30 September 2016

## DIRECTORS

<b>C J E Bartholomew</b>	Chairman
<b>C Welham</b>	Chief Executive Officer
<b>L J Stephens</b>	Operations Director
<b>R Bagnall</b>	Operations Director
<b>J Thomas</b>	Sales Director
<b>A G Percy</b>	Finance Director and Company Secretary
<b>R I Gordon-Finlayson</b>	Non-executive Director
<b>Sir James Butler CBE</b>	Non-executive Director
<b>N J B Atkinson</b>	Non-executive Director

With the changes to accounting regulations following the adoption of FRS102, the report below shows the results for the year split per the original UK GAAP and the effect of FRS102. The Chairman's Statement, Strategic Review and Statistical Review refer to the UK GAAP values for the consistent comparison to prior years.

## WADSWORTH and Company Limited

	30 SEPTEMBER 2016 £000'S			30 SEPTEMBER 2015 £000'S		
	Per UK GAAP	FRS 102	REPORTED	Per UK GAAP	FRS 102	REPORTED
<b>TURNOVER</b>	62,650	-	62,650	58,002	-	58,002
<b>EBITDA</b>	9,515	22	9,537	9,180	13	9,193
<b>Operating profit from ongoing operations</b>	6,953	22	6,975	6,896	13	6,909
Pension Scheme Contribution	(375)	-	(375)	(375)	-	(375)
<b>Operating profit per profit &amp; loss account</b>	6,578	22	6,600	6,521	13	6,534
Net interest payable	(1,679)	(758)	(2,437)	(1,855)	(103)	(1,958)
<b>Profit on ordinary activities</b>	4,899	(736)	4,163	4,666	(90)	4,576
Preference share dividends	(469)	-	(469)	(469)	-	(469)
Profit on disposal of fixed assets	455	-	455	74	-	74
Re-organisation costs	(394)	-	(394)	-	-	-
Net return on pension scheme	(148)	-	(148)	239	(385)	(146)
<b>Profit on ordinary activities before tax</b>	4,343	(736)	3,607	4,510	(475)	4,035
Taxation	(840)	133	(707)	(906)	(12)	(918)
<b>Profit for the financial year</b>	3,503	(603)	2,900	3,604	(487)	3,117

The Directors recommend that this should be appropriated as follows:

	2016 £000'S		2015 £000'S	
	£000'S	£000'S	£000'S	£000'S
Ordinary Dividends				
Interim 7.35p (2015: 6.85p)	558		539	
Final 16.80p (2015: 16.35p)	1,276	1,834	1,241	1,780
<b>Surplus after appropriation of dividends</b>		1,066		1,337



### Principal Activities

The principal activities of the Company are licensed property management, the brewing and packaging of beers and the wholesaling and retailing of beers, ciders, wines, spirits and minerals.

### Company Status

The Company is a close company within the meaning of the Income and Corporation Taxes Act 1988.

### Disabled Employees

Applications for employment by disabled persons are fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is given. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

### Employee Consultations

The Company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters about the Company and those issues affecting them as employees, through formal and informal meetings, an employee survey and group feedback sessions.

### Donations

There were no political donations. Charitable donations amounted to £30,945 (2015 £29,364).

### Board of Directors

Directors' interest in the shares of the company are set out in note 16. C J E Bartholomew and A G Percy are Trustees of the Wadworth and Company Limited Pension Scheme.

### Principal Risks and Uncertainties

The principal risks and uncertainties that face the Company can be summarised into 4 main categories:

- Legislative
- Operational
- Economic
- Financial

The Company continually assesses the risks and uncertainties that could impact the business and more details are provided on page 26.

### Directors' Responsibilities

The directors are responsible for preparing 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). The financial statements are required by law to 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:

- Follow applicable accounting policies;
- Make judgements and estimates that are reasonable and prudent;
- 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 proper accounting records that 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.

### Directors' Statement as to Disclosure of Information to Auditors

The directors who were members of the Board at the time of approving the Directors' Report are listed on page 6. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of this report of which the Company's auditors are unaware; and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

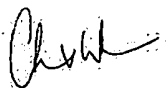
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**A G PERCY** Secretary

Registered Company Name: Wadworth and Company Limited  
Registered Company Number: 00030177



# Strategic Review



CHRIS WELHAM  
Chief Executive

This is a really exciting time for Wadworth as we look to a new vision of the future that will deliver enhanced value for our Customers, Employees, Business Partners and Shareholders and for generations to come. We will always remain an independent family business and our new 5 year strategy provides a strong platform to deliver growth whilst protecting the richness of our history and heritage.

We see our business evolving to a much more retail-led model, focused on compelling pub and beer offers, great execution, talent and leadership. The Managed House estate will continue to be our engine of growth and is ripe for expansion and we see significant upside potential in our Tenanted Estate and in a reinvigorated Beer strategy.





Our ambition and purpose are embodied in our new vision and mission statements developed this year:

**OUR VISION** - To be the best regional pub operator and family brewer.

## OUR MISSION

- Together we enrich communities with legendary places that people want to experience.
- We brew great beers that people choose to drink.
- We believe in building a culture where our teams are engaged and valued.
- We develop successful partnerships that create outstanding value for all of our stakeholders.

We have developed new values and behaviours which we are embedding across the business now that will govern the way in which we operate.

## OUR VALUES



COLLABORATIVE



ASPIRATIONAL



AUTHENTIC



EMPOWERING



INSPIRING



ACCOUNTABLE



QUALITY

Our vision is aspirational. Our values reflect this with authenticity and quality underpinning everything that we do going forwards.

## OUR STRATEGIC PILLARS



Following a comprehensive review of the business this year, our strategy focuses on strong profit and revenue growth across key workstreams geared to delivering the best customer experience. Our earnings come as a consequence of this focus.





### Best People:

- New talent appointed to provide a firm foundation for growth
- Values workshops completed
- Employee survey undertaken
- Regular CEO briefings held
- Leadership development programme started
- 894 training days completed
- Digital marketing brought in-house

Attracting, retaining and developing the right people are critical success factors for us to be able to provide the best customer experience. We have developed a new People Strategy with the objective of maintaining a progressive, collaborative and fun place to work that enables individual, team and Company success. Core elements of this strategy include leadership, engagement, resourcing, development, performance delivery and reward. We have introduced 9 new roles into the business where resource has been light and we have needed to improve our infrastructure to deliver the five year strategy.

Focus on developing the best people commenced with the launch of our new vision, mission and values in February this year. Teams have a clear understanding of what our ambition is and how their behaviour and collaborative working contributes to the future success of Wadworth. Employee group feedback sessions have been held alongside a full employee survey in July. We now have a clear understanding of people's views, the gaps in leadership and how we can develop skills and behaviours.

Each functional area of the Company has a focus aligned to the strategic plan to ensure that everyone fully understands the contribution they make to our success and future. Regular one to ones, feedback sessions and the monitoring of objectives and performance are replacing the need for formal personal development reviews.

Leadership workshops start in December 2016 and quarterly CEO briefings continue to provide performance updates for the whole business. 'Chris Chat' lunches allow for more informal discussion and feedback with a smaller group of cross-functional employees each month.

Training and apprenticeship schemes remain an important focus. We have 66 apprentices in our pub businesses and two further apprentices training in our support centre. We also have 19 chefs working towards a Level Two national accreditation scheme qualification and nine who have achieved this level already.

A new in-pub training team has been set up to focus on the delivery of the best customer experience. We have carried out 894 training days in total this year for pub teams.

Further, the appointment of a new digital marketing manager has enabled us to bring digital marketing in-house. This is an important step for us given the increasingly vital part that digital marketing plays for our pubs and overall business.

66 We have developed a new People Strategy with the objective of maintaining a progressive, collaborative and fun place to work that enables individual, team and company success... 99





## Best Use of Assets

- Full estate review conducted
- £11.7m investment across Managed & Tenanted sites
- Strong returns being achieved
- First Wadworth Managed pub in London opened
- Pipeline of acquisitions for 2017 established

The maintenance and development of our property portfolio now sits under the leadership of a new head of property who has overseen a detailed survey of our estate with a firm of independent estate surveyors. We have compiled a comprehensive property database of the current estate and assets. We carried out an internal estates review that we conducted with Managed and Tenanted Operations teams in June. Each pub has been analysed using customer demographics data, its competition and its current offer. Bearing in mind the physical attributes and location of each site, we have been able to make robust decisions around how we see the future for each pub; this is in terms of the right offer, market and operator required to unlock the full potential of our estate. This review has also informed the development of a comprehensive capex plan for pubs and identified a small number of sites that in the long run we don't see as part of our business.

It has been a very strong year for Managed Houses. Sales have grown by 18% year on year and we have increased the number of Managed pubs from 45 to 48 (acquisition of the Kings Arms, Fulham and the transfers from Tenanted of the Green Dragon, Marlborough and Cross Keys, Wanborough). We see individual acquisitions as being required to grow overall business and be a key part of delivering enhanced earnings per share over the coming years. Our aspiration is to grow the Managed Estate to circa 65 pubs via acquisition and a small number of transfers from Tenancy. We have put in place a strong infrastructure to ensure that Managed Houses are now ready for this expansion plan. Solid growth has come from previous acquisitions bought in 2015 including the Mill Haslemere, Beckford Hotel and the Cotswold Gateway. Earlier this year, we purchased the lease assignment of the Kings Arms in Fulham, our first Managed House pub acquisition in London which opened in August following a £335,000 investment. We have visited numerous acquisition opportunities this year for single site purchases and have firm interest in a small number of sites which we hope to conclude early in the new financial year. We have completed 12 major investments including the redevelopment of the Broad Street Tavern, Wokingham (£300,000), Greyhound, Siddington (£120,000), Avon Causeway, Hurn (£150,000) and Humble Plumb, Bitterne (£150,000).

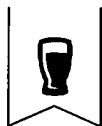
We propose to have a fully invested pub estate over the next 5 years; every Managed and Tenanted pub is to receive value adding customer facing investment. Post some selective disposals and the small number of transfers to Managed Houses mentioned above, we envisage a Tenanted Estate of approximately 140 quality pubs (168 in 2016) with each retail development manager looking after circa 35 pubs.

Tenanted has performed strongly this year despite having 9 fewer pubs due to disposals. We have sold The Cottage, Wembdon; Ring 'o' Bells, Wookey; Cross Keys, Corsley; Beaufort Arms, Cheltenham; Wansdyke, Bath; Wiltshire Yeoman, Chirton; Waggon and Horses, Lymington; Soho, Calne and Haymaker, Chard. Despite these disposals, contribution has grown by 1% and we have seen some good progress in this estate with targeted investment and an increasing retail focus by the team. We have also invested in iDraught for every pub. iDraught is a draught beer quality and waste management system which has enabled us to improve the quality of our draught dispense in our pubs. We have invested £5.3m in Tenanted pubs this year including 24 major schemes over £70,000. The majority of these investments were completed in the latter part of this year. Some examples of these transformational spends are the Antelope, Upavon (£150,000), Dandy Lion, Bradford on Avon (£136,000), Daneway Inn, Sapperton (£300,000), Kings Street Tavern, Southsea (£180,000) and Royal Standard, Yeovil (£215,000). We have also completed a number of external decoration and signage upgrades, including the Black Swan and White Bear in Devizes.

A new retail franchise agreement has been developed this year for trial as we look to innovate the traditional tied business model. Our first site, The Black Horse in Sowton, opened in August operated by new Franchisees and has so far traded to expectations following a £350,000 investment. We will continue to trial this franchise model over the next year with hopefully a second trial site opening in the spring of 2017.

Our renewed investment programme is underpinned by a robust capital development appraisal process to ensure we continue to demonstrate capital discipline. We are seeing strong returns in both Managed and Tenanted Estates with investments we have carried out this year. We also now have greater emphasis on planned maintenance revenue expenditure and the critical areas of health and safety and statutory compliance.





## Best Beers

- New Sales and Marketing leadership team in place
- Beer brand marketing redeveloped
- New packaged branding launched
- Own beer sales in growth

Jonathan Thomas now heads up our sales team as Sales Director. Jonathan was previously with Molson Coors for circa 30 years and is well known by many of our customers and in the wider trade. Jonathan has overseen the restructuring of the sales team as we seek to grow the volume and value of our beer brands. Free trade and national accounts in particular are key focuses and we are starting to see new listings already with some of the larger pub companies. Reciprocal cask ale arrangements have been achieved with key suppliers. We have also engaged in a strategic partnership with one of the largest and fastest growing wholesalers in the country to look at mutual sales opportunities.

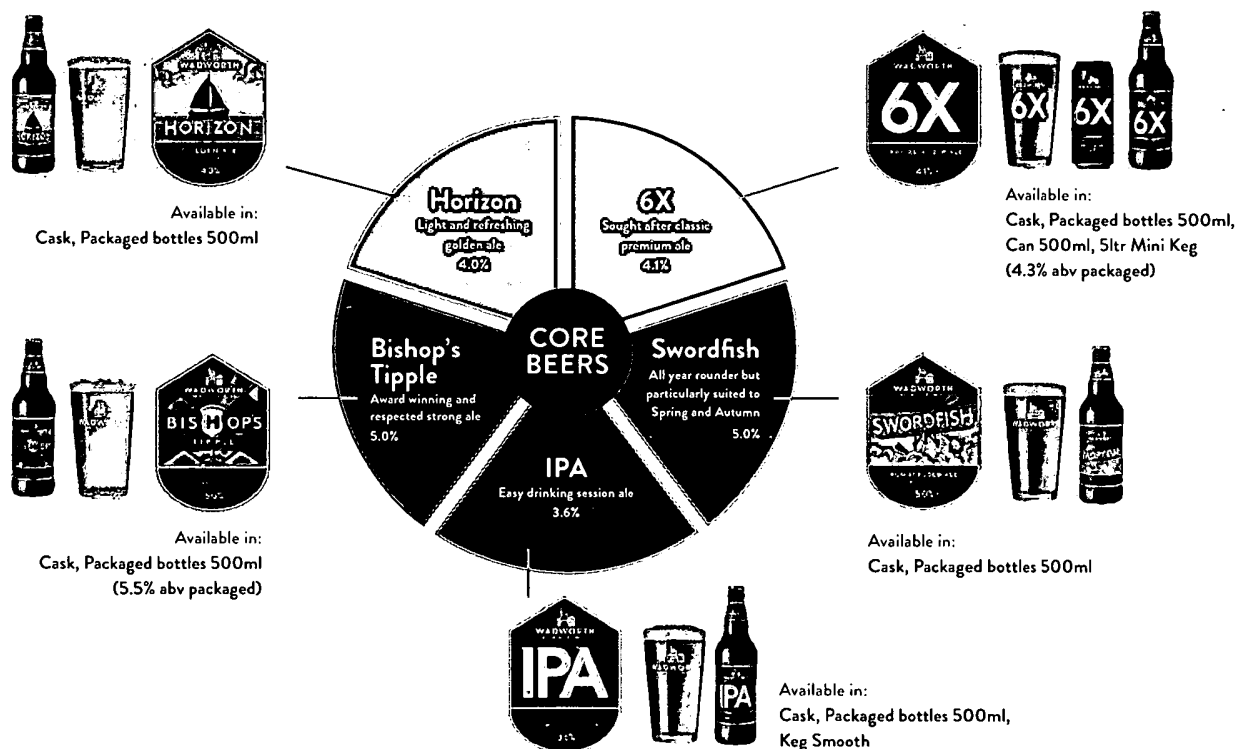
The changes in our sales team have enabled us to reinvigorate relationships in the off trade grocery sector. We are now also exporting a number of our beers to an Italian consortium.

We continue to undertake contract brewing. This year we have brewed for a well-known craft brewer whose lager we are also trialing in our estate. Our seasonal ales have been extremely successful with Optimism, our ale to celebrate the Euros 2016 strongly outselling our original forecasts. An enhanced seasonal ale range is ready for 2017 with new beers including Dirty Rucker Kiwi for the rugby and Treacle Treat for Halloween.

Underpinning all of this activity has been a comprehensive review and relaunch of the marketing propositions for our beers for all routes to market. This has been led by a new head of marketing and communications. The core beer portfolio has been fully re-branded and is now supported by new collateral including sales presenters and marketing material. We are currently developing consumer mechanics to support 6X for the next 18 months. Overall, the leadership change in sales and marketing has now aligned marketing and communications within the business across corporate, retail, product and brand.

## OUR CORE BEERS

We brew our core range of beers which are available to both the on and off trade, these include:





### Best Profit

This year has been a year of transition whilst we invest in people capability and infrastructure to deliver for our customers and future growth. We have needed to scale up the organisation in specific areas where resource has been light and headcount low.

Sales growth in the year has been very strong at 8.1% overall. This has been driven in the main by Managed Houses. EBITDA generated from the pub and beer business overall, shows growth of 6.0% year on year. This is netted down to 3.6% growth once our additional central overheads are taken into consideration. We anticipate continued EBITDA growth over the course of the next year and will see the additional overhead we have added to the business annualise out. In terms of Profit on Ordinary Activities, we are reporting £4.899m post pension scheme contributions for this year. This is a 5.0% growth on 2015.

I am pleased to report that the business remains in good health with many improving indicators now being seen. With the investments completed in the second half of 2016 and the acquisitions that we hope to complete in the first quarter we see the next financial year positively. The balance sheet is strong and cash flow remains healthy. We are well placed one year into our 5 year plan and the new financial year brings with it many great opportunities to further grow the confidence and performance of our business.

“We are well placed one year into our 5 year plan and the new financial year brings with it many great opportunities...”





## Best Execution

- Centralised brewery operations with bond and horses on the main brewery site
- Extended property helpdesk facility introduced
- Brewery audit and bond relocation is achieving 13% reduction in costs

The key to success is ensuring that the way we do business is efficient and effective across our pubs, brewery and support centre. This year we have moved our bonded warehouse and shire horses to the main brewery site reducing bond operating costs and utility costs. The restructure in our brewery operations team of last year has fed through a 13% reduction in production cost per barrel. We have also invested in a new kegging line to allow us to tap into export and emerging keg markets with smaller container sizes.

We conducted an independent audit of brewery production this year which reviewed ways of working, processes and maintenance. This has enabled us to identify and focus on specific areas in the brewery including the refurbishment of certain areas and new testing processes.

The reception entrance has now moved to the Visitor Centre. This ensures that customers and visitors have the right first impression of our business giving them good exposure to Company history and heritage in a more modern environment.

Further work is underway in the area of procurement and a new company purchasing manager has realised significant savings across the business so far, in many areas. We are also proposing to significantly upgrade the support centre offices this year.

## OUR APPROACH

### GREAT PUB GREAT FOOD

Our pubs in this segment are more likely to be seen in the suburbs of larger towns and cities or rural country destination pubs. They attract customers who believe it is worth paying extra and are looking for consistent high quality food, ale and service.

### FAMILY PUB DINING

You will find our Family Pub Dining pubs on the outskirts of towns in places where you can either walk or drive to. A real focus on families getting together for time out from their busy schedules to eat and drink in comfortable surroundings.

### TOWN LOCAL

You will see our pubs on High Streets in towns and city centres. These chameleon pubs serve different customers types throughout the day. These pubs are always on trend and offer a whole range of food, drink and snacks.





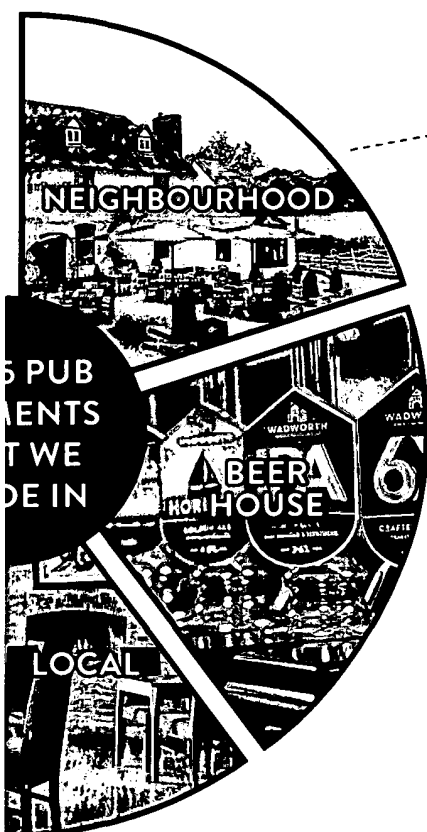
## Best Customer Experience

- Core purpose "Make Their Day"
- Customer satisfaction scores now average 83%
- Coeliac UK certification received for our Gluten Free menus and 6X Gold Gluten Free beer
- All capital investments aligned to segmentation

We continue to see the benefit of the 'Magical Places, Legendary Pubs' programme through our Managed Estate. This programme has focused on enabling pub teams to provide exceptional customer experience in pubs and customer satisfaction scores have improved as a result to 83%. Creating the best customer experience by executing the right retail offer in each pub continues to be an increasingly important focus for us going forwards. To support this, we have further developed the segmentation of our pub estate around every element of the retail offer within each trading category. Critically, our capital investment programme this year is fully aligned with segmentation categories. This ensures that we can create the right environment for the particular customer base in a specific location and can tailor the investment spend at a pub accordingly.

We have reviewed price laddering by segment in Managed Houses along with brands in line with our new strategic partnerships with key suppliers. Our own product range has been further strengthened through a new gluten free beer 6X Gold and a gluten free menu for Managed Houses certified by Coeliac UK.

Following a successful trial we have launched an online training portal for both Managed and Tenanted Trade teams via CPL Training, the UK's number one training provider. This training for pub team members alongside a new in-pub training team will ensure that the customer experience is paramount and that we bring to life our core purpose of 'make their day'.



### NEIGHBOURHOOD

These pubs provide a social hub for the community and can be located close to town centres but equally in suburbs and villages. Food, drink, events and charity are key themes to ensure these pubs become central to the communities they serve.

### BEER HOUSE

Our Beer House pubs can be found in town and city centre or suburbs and local community areas. These pubs deliver a modern, contemporary take on traditional values and celebrate everything beer, whether that's real ale, craft beer or world lagers.

“Creating the best customer experience...”



# Profit & Loss

## Profit & Loss Account for the year ended 30 September 2016

WADWORTH and Company Limited	Notes	2016		2015	
		£'000	£'000	£'000	£'000
TURNOVER	(3)		62,650		58,002
Cost of Sales			(24,801)		(24,308)
<b>GROSS PROFIT</b>			<b>37,849</b>		<b>33,694</b>
Distribution and selling costs	(3)	(26,732)		(23,344)	
Administrative expenses		(4,517)		(3,816)	
			(31,249)		(27,160)
<b>OPERATING PROFIT</b>			<b>6,600</b>		<b>6,534</b>
Exceptional items:-					
Re-organisation costs			(394)		-
Profit on disposal of properties			455		74
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST</b>			<b>6,661</b>		<b>6,608</b>
Interest receivable and similar income			1		2
Interest payable and similar charges			(2,438)		(1,960)
Preference dividends			(469)		(469)
Net return/(interest) on pension scheme	(18)		(148)		(146)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<b>(5)</b>		<b>3,607</b>		<b>4,035</b>
TAXATION	(6)		(707)		(918)
<b>PROFIT FOR THE FINANCIAL YEAR</b>			<b>2,900</b>		<b>3,117</b>

## Statement of Comprehensive Income for the year ended 30 September 2016

WADWORTH and Company Limited	Notes	2016	2015
		£'000	£'000
Profit for the financial year		2,900	3,117
Remeasurement gain/(loss) on pension scheme	(18)	(2,606)	(478)
Deficit offset by additional contributions	(18)	375	375
Deferred tax pension scheme movements	(18)	476	10
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>1,145</b>	<b>3,024</b>

## Statement of Changes in Equity

WADWORTH and Company Limited	Called Up Share Capital	Profit & Loss Account	Total
	£'000	£'000	£'000
As at 1 October 2014	7,594	70,077	77,671
Profit for the year	-	3,117	3,117
Other movements in comprehensive income	-	(93)	(93)
Dividends Paid	-	(1,747)	(1,747)
<b>As at 30 September 2015</b>	<b>7,594</b>	<b>71,354</b>	<b>78,948</b>
Profit for the year	-	2,900	2,900
Other movements in comprehensive income	-	(1,755)	(1,755)
Dividends Paid	-	(1,800)	(1,800)
<b>As at 30 September 2016</b>	<b>7,594</b>	<b>70,699</b>	<b>78,293</b>





# Balance Sheet

Balance Sheet as at 30 September 2016

WADSWORTH and Company Limited

	Notes	2016		2015	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Intangible assets	(8)		41		83
Tangible assets	(9)		132,363		125,709
			<b>132,404</b>		<b>125,792</b>
CURRENT ASSETS					
Stocks	(10)	1,994		2,039	
Debtors	(11)	4,232		4,519	
Loans and unquoted investments	(12)	136		164	
Cash at bank and in hand		539		1,611	
		<b>6,901</b>		<b>8,333</b>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	(13)	11,342		8,006	
NET CURRENT ASSETS/(LIABILITIES)			(4,441)		327
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>127,963</b>		<b>126,119</b>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	(14)	40,727		39,969	
PROVISION FOR LIABILITIES AND CHARGES	(15)	2,382		3,020	
			(43,109)		(42,989)
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>			<b>84,854</b>		<b>83,130</b>
PENSION LIABILITY	(18)		(6,561)		(4,182)
<b>NET ASSETS</b>			<b>78,293</b>		<b>78,948</b>
CAPITAL AND RESERVES					
Share capital	(16)		7,594		7,594
Profit and Loss Account			70,699		71,354
			<b>78,293</b>		<b>78,948</b>

Approved by the Board and signed on 17 November 2016



CHRIS WELHAM | Chief Executive

The notes on pages 28 to 37 form part of these accounts. Company registration number: 00030177.



# Cash Flow

## Cash Flow Statement for the year ended 30 September 2016

WADWORTH and Company Limited

	Notes	2016 £'000	2015 £'000
<b>Cash flows from operating activities</b>			
<b>Profit for the financial year</b>		<b>2,900</b>	<b>3,117</b>
Adjustments for:			
Depreciation charges and amortisation		2,993	2,659
Profit on sale of fixed assets		(459)	(35)
Interest		2,437	1,958
Tax on profit on ordinary activities		707	918
Pension scheme - net interest cost/(credit)		148	146
(Increase)/decrease in stock		45	(35)
(Increase)/decrease in debtors		315	749
Increase/(decrease) in creditors		1,424	(4,584)
<b>Cash from operations</b>		<b>10,510</b>	<b>4,893</b>
Taxation paid		(934)	(844)
<b>Net cash generated from operating activities</b>		<b>9,576</b>	<b>4,049</b>

### Cash flows from investing activities

Payments to acquire intangible fixed assets	(8)	(8)	(80)
Payments to acquire tangible fixed assets	(9)	(13,864)	(12,879)
Proceeds from sale of tangible fixed assets		4,727	2,565
<b>Net cash used in investing activities</b>		<b>(9,145)</b>	<b>(10,394)</b>

### Cash flows from financing activities

Bank loans / (repayments)		0	5,000
Interest paid		(1,679)	(1,855)
Equity dividends paid		(1,800)	(1,747)
<b>Net cash used in financing activities</b>		<b>(3,479)</b>	<b>1,398</b>

**Net (decrease)/increase in cash & cash equivalents** **(3,048)** **(4,947)**

Cash and cash equivalents at 1 October		1,611	6,558
<b>Cash and cash equivalents at 30 September</b>		<b>(1,437)</b>	<b>1,611</b>

### Cash and cash equivalents consists of

Cash at bank		539	1,611
Bank overdraft	(13)	(1,976)	0
<b>Cash and cash equivalents</b>		<b>(1,437)</b>	<b>1,611</b>
Bank loans and preference share	(14)	(39,866)	(39,866)
<b>Net Debt</b>		<b>(41,303)</b>	<b>(38,255)</b>

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

(Decrease)/increase in cash		(3,048)	(4,947)
(Increase)/decrease in loans		0	(5,000)
<b>Movement in net debt</b>		<b>(3,048)</b>	<b>(9,947)</b>
Net debt at 1 October		(38,255)	(28,308)
<b>Net debt at 30 September</b>		<b>(41,303)</b>	<b>(38,255)</b>



# Risks and Uncertainties

The Board has conducted a full review of current risks and uncertainties that could have an impact on the financial performance and stability of the business. A new risk register with a level of the risk has been developed with periodic reviews to monitor the risks and ensure that they are appropriately managed. The following points set out the principal risks identified by the Board and the actions taken to monitor and manage the risk.

RISK	MANAGEMENT ACTIONS
<b>Operational Risks</b> <b>Brewery Site:</b> The Northgate Brewery produces all of our beers and a serious accident at the site or a breakdown of major equipment would impact on our production capabilities.	<p>To ensure the continued supply of our beers we have an agreement with a number of other independent brewers who would produce our ales should the Northgate Brewery be closed.</p>
<b>Information Technology:</b> The reliance on information systems to manage our brewery operations and operational management of our pubs would be impacted if a significant failure of these systems took place.	<p>All of our business systems are documented and we have a disaster recovery plan to ensure that the business critical operations could be quickly restored in a controlled manner. All systems are backed up and the Navision system is mirrored to a second server. Out of hours support is available to our Managed Houses should they encounter issues.</p>
<b>Legislative Risks</b> <b>Statutory Legislation/Voluntary Code:</b> The Government has introduced a statutory code for pub companies with over 500 pubs. A new voluntary code which broadly mirrors the statutory code has been introduced for companies with less than 500 pubs. The threshold of 500 pubs could be lowered which would result in a free of tie option to be offered on all rent reviews and renewals.	<p>Our tenanted business has fully signed up to the voluntary code and is complying with all elements to provide a transparent way of working with our Business partners. If the threshold changed we would review the business model to accommodate the change to our commercial operations.</p>
<b>Health &amp; Safety:</b> The safety of our customers and staff is a high priority for the directors. The business must comply with the numerous Health & Safety regulations that apply to our industry.	<p>The Company employs a Head of Property and a Compliance Administrator plus uses a third-party company to ensure that the health &amp; safety policies are followed at our pubs and all relevant staff are trained at the right levels. Managed House teams have access to all compliance training on our online training portal and are provided with food hygiene training. In our Tenanted Estate we operate the Management Services Agreement which manages the compliance of all certification required.</p>
<b>National Living Wage:</b> A National Living Wage was introduced by the UK Government on 1st April 2016. The control of salaries is now centrally governed and therefore may have an impact on operational costs for our Managed Houses.	<p>The current salary structure in place has not been significantly affected by the National Living Wage. In the likelihood that the National Living Wage rising disproportionately, we will manage resourcing to balance this against increased costs.</p>
<b>Brexit:</b> The decision by the UK to leave the EU is impacting on the economy and the strength of sterling. Inflation will impact on the costs to the Wadworth business as will the reduction in free movement of labour.	<p>The economic instability the Brexit decision has on manufacturing costs and the availability of resource will need to be managed. We will ensure that we continue to assess our costs and gain the best pricing through our new Company Purchasing Manager. We will continue to recruit from the current resource availability of both UK and EU workers and stress to Government through industry groups that availability of EU workers is fundamental to the substantiality of the hospitality sector in the UK.</p>



**Sugar Tax:** The Government announced the introduction of a sugar tax on all high sugar fizzy drinks. As a supplier of these drinks in our pubs, our customers will be affected by the increased prices.

We have conducted a full review of our soft drinks this year and introduced a whole new range of fruit juices which are excluded from the sugar tax. We have also introduced Britvic Pepsi into our pubs which has a reduced calorie and sugar content than our previous brand.

**Drink Driving England & Wales:** Scotland has a drink driving limit of 50mg limit (just under 1 pint of beer) versus an 80 mg limit in England and Wales. Whilst the UK government has stated that there is to be no review of drink driving limits in England & Wales, groups continue to lobby for a change with Northern Ireland currently considering a review.

We continue to monitor this situation and believe that the current drink driving limits which are some of the most rigid in Europe should be maintained. At Christmas time, we ensure that designated drivers are provided with free refills of soft drinks. We continue to invest in the development of improved food and accommodation offers at our pubs to reduce the reliance on the sale of alcohol.

**Pensions:** The Company has a defined benefit pension scheme. The scheme is closed to new members and future accrual, but there is a deficit.

The Company works closely with the trustees and actuaries of the pensions scheme to ensure that we comply with the legislation on deficit funding.

With such a scheme, a change in market conditions, life expectancy and future assumptions on inflation and yields can have a material effect on the deficit which would impact on the levels of funding.

The current deficit funding stands at £375,000 per annum.

### Economic & Market Conditions

**Consumer Trends:** Social and demographic changes are driving the eating out and drinking habits of our customers in both our pubs and in retailers.

We have developed the segmentation of our pub estate and conducted a central estates review to ensure we deliver the right offer in the right environment with the right operator. Our inclusion of customer insight through demographics data and ongoing customer feedback enables us to be responsive to changing trends and customer needs. Our beer portfolio has a core audience and we have invested in consumer insight for both the on and off trade in terms of beer buying trends. This insight will enable us to develop new beer flavours that meet new customer demands and tastes and ensure new products are relevant in our portfolio.

**Economic Climate:** The Wadworth business, as with all other businesses in our sector, is sensitive to economic conditions creating a downturn and subsequent consumer confidence and disposable income.

The Company reviews the conditions and builds the impact into the budget. The Company maintains a high quality estate of public houses and we constantly review the operational costs at our pubs to ensure that a competitive, quality offering is in place.

### Financial Risks

**Interest Rate Risks:** The Wadworth business is exposed to interest rate changes on its borrowings.

The debt and interest rate levels are continually monitored and a large percentage of the Company borrowings have been fixed. New lending this year has been secured at a competitive borrowing rate.

**Internal Financial Controls:** A lack of control could result in errors in our financial statements or financial fraud or theft.

Wadworth has a robust internal control environment which is reviewed and updated on a regular basis.

External audit provides assurance that our controls are adequate.



# Notes to the Accounts

## 1. STATEMENT OF ACCOUNTING POLICIES

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards, including Financial Reporting Standard 102 – “the Financial Reporting Standard applicable in the United Kingdom and Ireland” (FRS102) and with the Companies Act 2006. As this is the first year of preparation under FRS102 there is a summary of the transition adjustments in note 20. The directors continue to adopt the going concern basis in preparing the accounts.

### (a) Turnover

Turnover represents the amounts derived from the provision of goods and services during the year, after the deduction of trade discounts and value added tax.

### (b) Depreciation and Amortisation

Goodwill arising on acquisitions is amortised in equal instalments over three years. Depreciation of other fixed assets is applied over their estimated useful lives as follows:

Freehold property (buildings element only)	2% pa
Leasehold property ~ Leases of less than 100 years ~ Leases of more than 100 years	period of lease nil
Plant and machinery, fixtures and fittings, integral features and motor vehicles	5% to 30% pa

The directors regularly consider possible impairment of the fixed assets, particularly where a property has been identified as one where performance is unsatisfactory and a sale is likely. Additional accelerated depreciation is provided to reduce the carrying value to a figure likely to be recovered in the open market, or value in use if higher.

### (c) Stocks

Stocks are stated at the lower of cost and net realisable value. The cost of stocks produced by the Company comprises materials and directly attributable production costs; stocks of bought-in goods are valued at their purchase costs with no further overhead additions.

### (d) Deferred Taxation

Deferred Taxation is provided for in respect of all timing differences that have originated but not reversed at the

balance sheet date. The provision is calculated on an undiscounted basis at the tax rate applicable to these accounts, 20% (2015 20%). Previously no provision has been made for tax on gains on disposal of fixed assets where proceeds have been rolled over into the acquisition of new fixed assets. FRS102 changes that treatment and provision is now made.

### (e) Pensions

The Company closed its defined benefit (final salary) pension scheme to new members and future service accrual on 30th November 2006. The funds continue to be administered by trustees and are independent of the Company's finances. The scheme is fully funded and contributions are paid in accordance with the recommendations of an independent actuary. The Company now operates a defined contribution scheme under which payments are made to members' personal policies. (see also note 18).

### (f) Leasing

Rental payments under operating leases are charged to the profit and loss account when incurred. Contract hire of motor vehicles is included as operating leases.

### (g) Foreign Currencies

Transactions denominated in foreign currencies are recorded at a pre-determined exchange rate. Settlements in respect of such transactions are recorded at the rate of exchange ruling at the date of payment with the resulting exchange differences being dealt with in the determination of profit for the financial year.

### (h) Dividends

Dividends paid on ordinary shares are deducted from reserves. Dividends paid on preference shares are shown as an interest cost.

### (i) Financial Instruments

The contractual obligations of financial instruments determine classification in the accounts. Where contractual obligations of share capital are equivalent to debt instruments, the capital is classed as a financial liability in the balance sheet (see note 14) and the costs relating thereto included in the profit and loss account (see (h) above). Loans made by the Company to trade customers and staff have been classified as current assets, although an element would be unlikely to be recovered within 12 months, but for consistency tenants' deposits have been classified as current liabilities, with a large proportion unlikely to be repaid within 12 months.



## 2. CRITICAL JUDGEMENTS AND ESTIMATES

The three most significant areas where judgements and estimates are applied, and there could be scope for material impact on the accounts are:

- Fixed assets – as described at 1b) regular consideration is given to possible impairment.
- Defined benefit pension scheme – this is a closed scheme and the figures stated in the accounts are prepared by the scheme's actuary, and set out in note 18.
- Fair value of interest rate swap arrangements – the accounts, as prepared under FRS102, disclose a valuation of the asset or liability. The values are subject to change on a daily basis, with political and economic conditions impacting. The valuations applied are the rates applicable at accounting dates and are supported by confirmation from a second clearing bank.

3. TURNOVER	2016 £'000	2015 £'000
Retail sales	35,317	29,755
Wholesale sales	21,957	22,874
Other Sales include mainly tenancy rents, fruit machine income and other income	5,376	5,373
	<b>62,650</b>	<b>58,002</b>
<b>Distribution and selling costs</b>		
Wholesale trade selling costs	4,544	4,419
Retail trade selling costs – Brewery	3,806	3,312
Retail trade selling costs – Retail premises	16,824	14,026
Transport & storage costs	1,558	1,587
	<b>26,732</b>	<b>23,344</b>

## 4. STAFF NUMBERS AND COSTS

The average number of persons employed by the Company was 917 (2015 806) split into the following categories:

Manufacture	26	28
Sales and distribution – Brewery	37	34
Administrative	46	43
Sales and distribution – Retail premises	808	701
	<b>917</b>	<b>806</b>
The aggregate payroll costs of these persons were as follows:		
Wages and salaries – Brewery	4,588	4,321
Social Security costs – Brewery	554	455
Wages and salaries – Retail premises	10,321	8,489
Social Security costs – Retail premises	525	456
Other Pension costs, including the pension deficit contribution	797	765
Re-organisation costs (Exceptional item)	394	-
	<b>16,785</b>	<b>14,499</b>
The aggregate emoluments of the directors, including pension contributions, were	731,608	620,418
The number of directors who are members of the closed defined benefit scheme	3	3
Emoluments of the highest paid director, excluding pension contributions	226,785	180,667

At 30 September 2016 the amount of the accrued pension of the highest paid director was £NIL (2015 £46,360p.a.).

There were no transactions with the directors during the year other than the payment of their emoluments and incidental purchases of goods from the company. The directors receive a modest discount in line with that given to other staff.



<b>5. PROFIT BEFORE TAXATION</b>	<b>2016 £'000</b>	<b>2015 £'000</b>
This is stated after charging/(crediting) the following:		
Interest received	(1)	(2)
Rent income	(4,279)	(4,365)
Interest on bank overdraft and other loans repayable within five years	1,292	1,536
Interest on bank overdraft and other loans repayable in more than five years	1,146	424
Preference dividends	469	469
Depreciation of tangible assets	2,943	2,616
Accelerated depreciation	1,075	515
Amortisation of goodwill	50	43
Auditors' remuneration - Audit services - company	57	55
Audit services - pension scheme	4	8
Accounting services	4	-
Taxation - compliance services	8	8
Taxation - other services	5	-
Other services - payroll	16	15
Directors' emoluments	732	620
Operating lease rentals - plant and machinery	247	216
Land and buildings	562	484

<b>6. TAXATION</b>	<b>£'000</b>	<b>£'000</b>
Analysis of tax charge in the year:		
UK Corporation tax on income for the year	880	945
UK Corporation tax adjustment for previous years	(11)	(6)
Adjustments for change to FRS102	-	12
Deferred taxation charge re timing differences	(162)	95
Deferred taxation credit re pension scheme special contributions accrued	-	-
Deferred taxation credit re tax rate reduction	-	(128)
<b>Taxation charged to the profit &amp; loss account</b>	<b>707</b>	<b>918</b>
Reconciliation of tax charge:		
<b>Profit on ordinary activities before tax</b>	<b>3,607</b>	<b>4,035</b>
Profit on ordinary activities multiplied by average rate of Corporation tax of 20% (2015 20.5%)	721	827
Effect of:		
Dividends and expenses not deductible for tax purposes	445	304
Capital allowances in excess of depreciation	20	(95)
Pension scheme contributions accrued	-	-
Capital gains rolled over or relieved by indexation	(306)	(91)
<b>Corporation tax on income for the year</b>	<b>880</b>	<b>945</b>



**7. EARNINGS PER SHARE**

	2016 £'000	2015 £'000
This has been calculated before exceptional pension scheme adjustments and after deducting preference dividends paid, as follows:		
Profit attributable to ordinary shareholders (in £000's)	3,503	3,604
Number of ordinary shares issued	7,593,886	7,593,886
Earnings per share	46.12p	47.46p

**8. INTANGIBLE FIXED ASSETS**

	£'000	£'000
Properties acquired during the year gave rise to the purchase of goodwill of:	8	80
Amortisation of intangible fixed assets is over three years.		

**9. TANGIBLE FIXED ASSETS  
(IN £'000)**

	Freehold Property	Leasehold Property	Plant Machinery Vehicles	Total
At cost:				
Opening balance	104,946	5,001	54,817	164,764
Additions	7,272	841	5,751	13,864
Disposals	(3,792)	0	(1,401)	(5,193)
<b>Closing balance</b>	<b>108,426</b>	<b>5,842</b>	<b>59,167</b>	<b>173,435</b>
Depreciation:				
Opening balance	2,879	1,914	34,262	39,055
Charge for the year	289	166	2,488	2,943
Accelerated Depreciation	1,075	-	-	1,075
Withdrawn on disposals	(967)	-	(1,034)	(2,001)
<b>Closing balance</b>	<b>3,276</b>	<b>2,080</b>	<b>35,716</b>	<b>41,072</b>
<b>Net Book Value: 2016</b>	<b>105,150</b>	<b>3,762</b>	<b>23,451</b>	<b>132,363</b>
2015	102,067	3,087	20,555	125,709

Leasehold properties comprised	2016	2015
Long-lease (over 50 years)	1,779	1,662
Short-lease (under 50 years)	1,963	1,425
	<b>3,762</b>	<b>3,087</b>

Current valuation of Land and Buildings: the directors consider that the freehold properties have a current market value in excess of their book value. Reports obtained in connection with the renewal of borrowing facilities confirm this view.

**10. STOCKS**

	2016 £'000	2015 £'000
Brewing materials, beers and consumables	699	642
Minerals and ciders	8	18
Wines and spirits	440	555
Stocks at retail premises	829	803
Horses	18	21
	<b>1,994</b>	<b>2,039</b>





<b>11. DEBTORS</b>	<b>2016 £'000</b>	<b>2015 £'000</b>
Trade debtors	3,638	4,250
Prepayments and accrued income	594	269
	<b>4,232</b>	<b>4,519</b>

<b>12. LOANS AND UNQUOTED INVESTMENTS</b>	<b>£'000</b>	<b>£'000</b>
Loans to free trade customers and tenants	136	164
Loans to employees	-	-
	<b>136</b>	<b>164</b>

<b>13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	<b>£'000</b>	<b>£'000</b>
Bank borrowings	1,976	-
Trade creditors	4,192	3,521
Other creditors	2,070	1,155
Corporation tax	380	445
Social Security and other taxes	1,449	1,508
Tenants' deposits (repayable when the licensee relinquishes their tenancy)	1,275	1,377
	<b>11,342</b>	<b>8,006</b>

<b>14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	<b>£'000</b>	<b>£'000</b>
<b>(a) Preference Share Capital:</b>		
10 ¼% Cumulative Preference Shares of £1 each	923	923
9 ½% Cumulative Preference Shares of £1 each	3,943	3,943
	<b>4,866</b>	<b>4,866</b>
<b>(b) Bank borrowing:</b> The Company has three secured loans of between 5 and 9 years, carrying interest rates of between 1.25% and 2.0% over LIBOR with LIBOR fixed on £29m of the new facilities to guard against sharp fluctuations in interest rates.	35,000	35,000
	<b>39,866</b>	<b>39,866</b>
<b>(c) Interest rate swap arrangements:</b> The Company has three swap arrangements, two of which are equal and opposite, thus cancelling each other out. The third swap is for £9m and fixes the rate to the end of the loan facilities. The fair value of the potential interest liability and accounted for under FRS 102 is:	861	103
	<b>40,727</b>	<b>39,969</b>

<b>15. PROVISION FOR LIABILITIES AND CHARGES</b>	<b>£'000</b>	<b>£'000</b>
Provision for deferred taxation:		
Opening balance	3,020	3,053
Charge/(credit) for the year - Profit & Loss	(162)	(23)
Charge/(credit) for the year - Pension scheme	(476)	(10)
	<b>2,382</b>	<b>3,020</b>



**16. SHARE CAPITAL**

	Issued	Issued
Ordinary Shares of £1 each	2,092	2,092
'A' Ordinary Shares of £1 each	5,502	5,502
	<b>7,594</b>	<b>7,594</b>

**Voting Powers:** On a show of hands every member who is present in person at a general meeting of the Company shall have one vote, and on a poll every member who is present in person or by proxy shall have one vote for every £1 nominal amount of Ordinary Shares held and one vote for every £4 nominal amount of 'A' Ordinary Shares held. In addition, the Preference Share holders shall be entitled to vote at a general meeting if the dividend or any part thereof is six months in arrears.

Directors' Holdings		30 September 2016				30 September 2015			
		Ordinary	'A' Ord	10 1/4% Pref.	9 1/2% Pref.	Ordinary	'A' Ord	10 1/4% Pref.	9 1/2% Pref.
C J E Bartholomew	Beneficial	331,095	925	871	167,848	250,231	1,232	871	19,220
	As Trustee	51,696	176,724	6,404	79,833	114,166	305,906	6,404	192,966
Sir James Butler	Beneficial	127,050	113,268	-	-	127,050	115,268	-	-
R I Gordon-Finlayson	Beneficial	107,717	176,464	22,741	159,327	107,717	236,464	14,241	219,327
	As Trustee	48,664	12,150	-	13,581	48,664	12,150	-	13,581
N J B Atkinson	Beneficial	670	-	-	1,380	670	-	-	1,380
C Welham	Beneficial	-	4,200	-	-	-	-	-	-
AG Percy	Beneficial	1,055	-	-	-	1,055	-	-	-
LJ Stephens	Beneficial	680	-	-	-	680	-	-	-
R Bagnall	Beneficial	-	-	-	-	-	-	-	-
J Thomas	Beneficial	-	-	-	-	-	-	-	-

No significant transfers have been notified between the year end and the date of this report.

**17. OPERATING LEASES AND CAPITAL COMMITMENTS**

At 30 September 2016 the Company was committed to making the following payments during the next year in respect to operating leases:

	Land & Buildings £'000	Plant & Machinery £'000
Leases which expire:		
Within one year	59	16
Between two and five years	129	237
After five years	460	-

There were material capital commitments as at 30 September 2016 of £1.31m (2015 £1.04m). The Company has future hop contracts to the value of £293,000 (2015 £292,000).



## 18. PENSION COMMITMENTS

The Company operates a pension scheme for all qualifying employees. The assets of the Scheme are held in a separate trustee administered fund. The Scheme closed to future accrual on 30 November 2006. A schedule of contributions is agreed between the Company and the trustees after each comprehensive actuarial valuation.

The most recent comprehensive actuarial valuation took place as at 31 May 2013. Under the agreed schedule of contributions, the Company shall pay contributions of £375,000 pa until 31 May 2024.

The schedule of contributions will be reviewed as part of the 31 May 2016 actuarial valuation.

We set out below disclosures as at 30 September 2016 based on the proposed assumptions set out in this report, together with disclosures as at 30 September 2015 re-stated under FRS 102. Please note that the 2015 re-statement includes the annuity policies held in the name of the Trustees.

The major financial assumptions used by the actuary were:		At 30/9/16 % per annum	At 30/9/15 % per annum
Discount Rate		2.30%	3.70%
Rate of increase in pensions in payment		3.00%	3.00%
RPI assumption		3.10%	3.10%
CPI assumption		2.10%	2.10%
Life expectancy at age 65:			
Current pensioners:	Male	22.5	22.3
	Female	24.2	24.1
Future pensioners (now aged 40):	Male	25.2	25.0
	Female	26.6	26.5

Assets	30/9/2016 £'000	30/9/2015 £'000
UK equities	3,342	4,252
Overseas equities	4,557	4,871
Diversified growth funds	2,346	2,217
Property	462	189
Corporate bonds and gilts	5,548	3,637
Insurance annuities	714	607
Cash and other	1,118	587
<b>Fair value of scheme assets</b>	<b>18,087</b>	<b>16,360</b>
<b>Actual return on scheme assets over period</b>	<b>2,660</b>	<b>280</b>

Total expense recognised in profit and loss	£'000	£'000
Service cost	-	-
Net interest on net defined benefit liability/(asset)	148	146
Administration expenses and insurance premiums	-	-
Past service cost	-	-
Loss/(gain) on settlements	-	-
<b>Profit and loss charge/(credit)</b>	<b>148</b>	<b>146</b>



	30/9/2016 £'000	30/9/2015 £'000
<b>Total amount recognised in other comprehensive income</b>		
Return less interest income on scheme assets	2,072	(349)
Actuarial gain/(loss) on liabilities	(1,678)	(129)
<b>Remeasurement gain/loss) recognised in OCI</b>	<b>(2,606)</b>	<b>(478)</b>

<b>Statement of financial position</b>	<b>£'000</b>	<b>£'000</b>
Fair value of scheme assets	18,087	16,360
Present value of defined benefit obligation	24,648	20,542
<b>Net surplus/(deficit) in scheme</b>	<b>(6,561)</b>	<b>(4,182)</b>

<b>Changes in the fair value of scheme assets</b>	<b>£'000</b>	<b>£'000</b>
Fair value of scheme assets at start of period	16,360	16,184
Interest income on scheme assets	588	629
Return less interest income on scheme assets	2,072	(349)
Contributions by the employer	375	375
Contributions by employees	-	-
Benefits paid	(1,308)	(479)
Administrative expenses	-	-
<b>Fair value of scheme assets at end of period</b>	<b>18,087</b>	<b>16,360</b>

<b>Changes in the defined benefit obligation</b>	<b>£'000</b>	<b>£'000</b>
Defined benefit obligation at start of period	20,542	20,117
Service cost (for pension benefits)	-	-
Interest cost on defined benefit obligation	736	776
Contributions by employees	-	-
Benefits paid	(1,308)	(479)
Actuarial (gain)/loss	4,678	129
<b>Defined benefit obligation at end of period</b>	<b>24,648</b>	<b>20,542</b>

<b>Reconciliation of funded status</b>	<b>£'000</b>	<b>£'000</b>
Opening surplus/(deficit)	(4,182)	(3,933)
Employer contributions	375	375
Credit/(charge) recorded in P&L	(148)	(146)
Gain/(loss) recorded in OCI	(2,606)	(478)
<b>Closing surplus/(deficit)</b>	<b>(6,561)</b>	<b>(4,182)</b>

#### Defined contributions scheme

The Company operates a defined contribution scheme, with the assets held separately in independently administered funds. During the year the Company contributed £432,000 (2015: £390,000). No contributions were outstanding at the year end (2015: ENIL). The Company pays double the members' contributions, up to a limit of 10% of salary.



## 19. SUBSIDIARIES

The Company has a wholly-owned subsidiary: - Wadworth & Co. (Burford) Ltd.

This company has not traded during the year. It has no assets.

## 20. FRS102 FINANCIAL SUMMARY

The following tables summarise the impact of FRS 102 on the profit and loss account, and equity.

There are no cash impacts.

### Reconciliation of the profit for the year to September 2015.

	Before Tax £'000	Tax £'000	After Tax £'000
<b>Previous UK GAAP - Profit on Ordinary Activities</b>	<b>4,510</b>	<b>(906)</b>	<b>3,604</b>
Holiday pay accruals	13	(3)	10
Revaluation of interest rate swaps	(103)	21	(82)
Recognition of deferred tax on rolled over gains	-	(30)	(30)
Pension scheme deficit movement	(385)	-	(385)
<b>FRS 102 Profit on Ordinary Activities</b>	<b>4,035</b>	<b>(918)</b>	<b>3,117</b>

### And the following summarises the impact on equity

	SEPT 2016 £'000	SEPT 2015 £'000	SEPT 2014 £'000
<b>Previous UK GAAP - Equity shareholders' funds</b>	<b>80,454</b>	<b>80,526</b>	<b>79,147</b>
Holiday pay accruals	(56)	(78)	(91)
Interest rate swaps	(861)	(103)	-
Deferred tax - on above	183	36	18
Deferred tax - on rolled over gains	(1,427)	(1,433)	(1,403)
<b>FRS 102 Equity shareholders' funds</b>	<b>78,293</b>	<b>78,948</b>	<b>77,671</b>

The Company has prepared the accounts for the year ended 30 September 2016 under the new accounting standard FRS102 and re-stated figures for the prior year.

- FRS 102 transition – the date of the transition to FRS102, to enable comparisons to be restated is 1 October 2014.
- Property revaluation – The Company has not opted to revalue its properties as permitted under the first time adoption of FRS102.



The change to FRS102 impacts in the treatment of the following four items:

- c) Pension scheme liability – the deficit in the defined benefit pension scheme (closed in 2006) has for many years been recognised in the Balance Sheet under UK GAAP. Movements in the deficit have been accounted for in statements of Equity Shareholders Funds although not recognised in the Profit and Loss Account and the Statement of Comprehensive Income, and the September 2015 figures have been restated. Within UK GAAP rules, the pension scheme deficit was disclosed with the related deferred tax asset shown as a reduction from the deficit. FRS102 rules dictate that the pension deficit is instead shown as a gross liability with the related deferred tax asset set against other deferred tax liabilities.
- d) Rolled over capital gains – Under FRS102 it becomes necessary to recognise the tax liability that would have arisen on capital gains but for the rollover of the gains into new properties. The FRS102 Balance Sheet transition date includes an additional net deferred liability of £1,403,000.
- e) Derivative financial instruments – Under UK GAAP there was no requirement to recognise derivative financial instruments on the Balance Sheet, but gains or losses on settlement would be credited or charged to the profit and loss account. With FRS102 there is a requirement to recognise the financial asset, or liability, at fair value, and the restated financial statements recognise the Company's interest rate swaps. If forward interest rates are below the fixed swap rate(as at present) then there is a negative fair value to the Company. There were no liabilities at the transition date.
- f) Holiday pay accruals – Under UK GAAP the Company did not make provision for accrued holiday pay earned but not taken before the year end. FRS102 requires that the costs of "short term compensated absences" be recognised as employees provide their services. The Company is, under FRS102, recognising accrued liabilities at year end for all weekly paid staff in its managed houses. A liability of £91,000 was recognised at the transition date.



# Independent Auditor's Report

We have audited the company's financial statements for the year ended 30 September 2016 which comprise the Balance Sheet, the Profit and Loss Account, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Cash Flow Statement and the related notes. 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 FRS102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

## Respective responsibilities of Directors and Auditors

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

## Scope of the audit of the financial statements

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

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30th September 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

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

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

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



**MICHAEL BUCKLAND** | Senior Statutory Auditor

17 November 2016

For and on behalf of DAVID OWEN & Co, Statutory Auditor, DEVIZES, WILTSHIRE



# Statistical Review

## WADWORTH and Company Limited

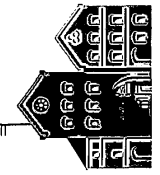
Profit and Loss	2012	2013	2014	2015	2016
	£'000	£'000	£'000	£'000	£'000
Turnover	55,231	56,111	57,000	58,002	62,650
<b>Profit from ongoing operations</b>	<b>6,546</b>	<b>6,642</b>	<b>6,760</b>	<b>6,896</b>	<b>6,953</b>
Pension deficit contributions	(375)	(375)	(375)	(375)	(375)
<b>Operating profit</b>	<b>6,171</b>	<b>6,267</b>	<b>6,385</b>	<b>6,521</b>	<b>6,578</b>
Net interest payable	(2,024)	(2,062)	(2,067)	(1,855)	(1,679)
<b>Profit on ordinary activities</b>	<b>4,147</b>	<b>4,205</b>	<b>4,318</b>	<b>4,666</b>	<b>4,899</b>
Preference dividends	(469)	(469)	(469)	(469)	(469)
Net return on Pension Scheme	51	64	215	239	(148)
<b>Profit before tax</b>	<b>3,729</b>	<b>3,800</b>	<b>4,064</b>	<b>4,436</b>	<b>4,282</b>
Taxation	(702)	(913)	(700)	(906)	(840)
Profit on disposal of fixed assets	432	187	189	74	455
Re-organisation costs	(723)	-	(240)	-	(394)
<b>Attributable to ordinary shareholders</b>	<b>2,736</b>	<b>3,074</b>	<b>3,313</b>	<b>3,604</b>	<b>3,503</b>
Ordinary dividends	1,606	1,648	1,701	1,747	1,800
Earnings per Ordinary Share	36.02p	40.50p	43.62p	47.46p	46.12p
Earnings adjusted for re-organisation costs	45.55p	-	46.78p	-	55.26
Dividends per Ordinary Share	21.15p	21.70p	22.40p	23.00p	23.70p
<b>Assets Employed</b>					
Fixed Assets	116,005	116,802	118,021	125,792	132,404
Current Assets	8,430	8,904	13,995	8,333	6,901
	<b>124,435</b>	<b>125,706</b>	<b>132,016</b>	<b>134,125</b>	<b>139,305</b>
Current liabilities	(9,339)	(8,854)	(12,404)	(8,006)	(11,342)
	<b>115,096</b>	<b>116,852</b>	<b>119,612</b>	<b>126,119</b>	<b>127,963</b>
Long term finance	(32,816)	(33,316)	(34,866)	(39,969)	(40,727)
Deferred taxation	(2,785)	(2,679)	(2,492)	(3,020)	(2,382)
Pension liability	(2,376)	(1,907)	(3,107)	(4,182)	(6,561)
<b>Net Assets *</b>	<b>77,119</b>	<b>78,950</b>	<b>79,147</b>	<b>78,948</b>	<b>78,293</b>
					13,864
Gross Capital Expenditure	7,056	5,865	5,389	12,880	706
Average number of employees	785	793	805	806	917

\*2015 and 2016 Net Assets restated to FRS102 from UK GAAP









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