

WADSWORTH

and Company Limited

Registered Company Number: 00030177

Annual Report 2017

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**HARD CRAFT
SINCE 1875**

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Directors' Report

The Directors present their report and the accounts for the year ended 30 September 2017

DIRECTORS

C J E Bartholomew	Chairman
C Welham	Chief Executive Officer
L J Stephens	Operations Director
R A Bagnall	Operations Director
J Thomas	Sales Director
A G Percy	Finance Director and Company Secretary
N J B Atkinson	Non-executive Director
E S Harford	Non-executive Director
J E Beard	Non-executive Director
N C Stenhouse	Non-executive Director

WADSWORTH & CO

SINCE 1875

	30 SEPTEMBER 2017 £000'S			30 SEPTEMBER 2016 £000'S		
	OLD GAAP	FRS 102	REPORTED	OLD GAAP	FRS 102	REPORTED
TURNOVER	67,963	-	67,963	62,650	-	62,650
EBITDA	10,809	-	10,809	9,515	22	9,537
Operating profit from ongoing operations	7,248	-	7,248	6,953	22	6,975
Pension Scheme Contribution	(375)	-	(375)	(375)	-	(375)
Operating profit per profit & loss account	6,873	-	6,873	6,578	22	6,600
Net interest payable	(1,875)	495	(1,380)	(1,679)	(758)	(2,437)
Profit on ordinary activities	4,998	495	5,493	4,899	(736)	4,163
Preference share dividends	(469)	-	(469)	(469)	-	(469)
Profit on disposal of fixed assets	562	-	562	455	-	455
Re-organisation costs	-	-	-	(394)	-	(394)
Interest on pension scheme	(146)	-	(146)	(148)	-	(148)
Profit on ordinary activities before tax	4,945	495	5,440	4,343	(736)	3,607
Taxation	(753)	(96)	(849)	(840)	133	(707)
Profit for the financial year	4,192	399	4,591	3,503	(603)	2,900

The Directors recommend that this should be appropriated as follows:

	2017		2016	
	£000'S	£000'S	£000'S	£000'S
Ordinary Dividends				
Interim 7.55p (2016: 7.35p)	573		558	
Final 17.25p (2016: 16.85p)	1,310	1,883	1,276	1,834
Surplus after appropriation of dividends		2,708		1,066



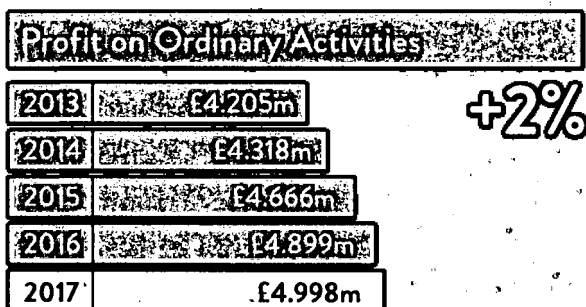
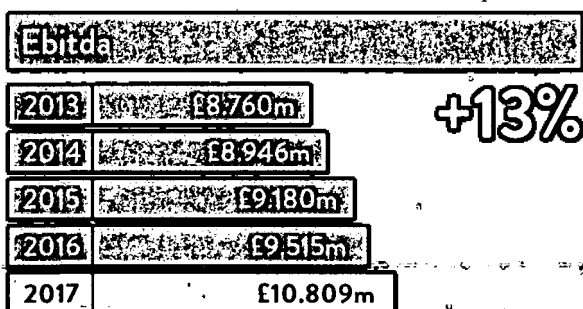
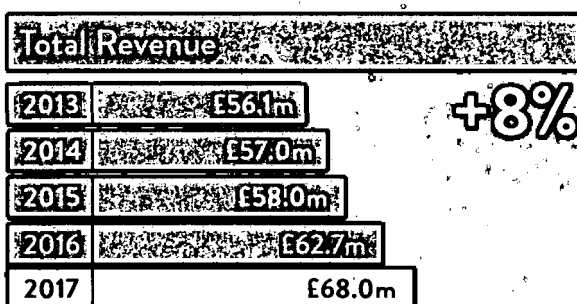
Why Wadworth...

Our modern Brewhouse based in our Victorian brewery combines state of the art techniques with over 140 years of brewing experience. Our small batch microbrewery enables us to create new and innovative beers for our own pubs and customers.



Business Highlights

- 5 year strategic plan continues to focus business
- Managed house estate grown from 48 to 54 pubs
- £7 million spent on 3 pub acquisitions
- 36 large investments in Managed and Tenanted pubs
- Leadership programme implemented for business managers
- Collaborative partnership with Conviviality plc for supply of wines and spirits



“Focusing on
our 5 year
strategic plan...”



Chairman's Statement

Operational Review

This has been a second year of transformational change for Wadworth as we have continued to build a solid platform for future growth in line with our strategic plan. Headline trading numbers have been strong with Managed performing particularly well with three new acquisitions: the Bird in Hand, Maidenhead; the Stag, Alcester; and the Dolphin, Botley and three transfers from Tenancy during the year: the Plough Inn, Sparsholt; the Inn in the Park, Poole and the Three Crowns, Devizes. Tenanted has had another good year growing profit contribution with six fewer pubs. We sold our Free Trade business to Conviviality this year and we are now working in partnership with their subsidiary company Matthew Clark to sell our own beer brands through this channel. A new sole supply agreement is now in place with Bibendum (also of Conviviality) offering a better quality range of wines and spirits for our pub estate. We continue to build new relationships and listings in our Beer Business and look forward to increased volumes from customers in National, Wholesale, Off Trade and Export. Overall this year however, profit has been impacted by the additional overhead we have invested in the business particularly in the first half. As stated at the Interims this has broadly annualised out during the second half. This has left us up by 2% at the year end despite a relatively poor summer. From this position, we believe we now have the right capability in place for Wadworth to deliver consistent profit growth as a much more modern, commercial business whilst staying true to our rich history and heritage.

Results

Turnover was **£68.0m** (2016: £62.7m) and operating profit after interest and before exceptional items, calculated using the principles included in FRS102, was **£5.493m** (2016: £4.163m), an increase of **31%**. As stated in last years accounts the requirements of FRS 102 can produce some large movements in reported profit and if we were to use the standards that were in place before the implementation of FRS 102, the underlying profit shows an increase of **2%**. At the end of the year shareholders' funds were **£83.4m** (2016: £78.3m).

Dividend

The Board is pleased to propose a final dividend of **17.25p** (2016 16.80p) per Ordinary and A Ordinary share. The total dividend per share becomes **24.80p** (2016: 24.15p), an increase of **2.7%**.

Accounting Standards

These accounts have been prepared in accordance with FRS102 and this report reflects these changes, except for the business highlights graph on page 4 which are based on 'old GAAP' per the Directors' Report summary.

Board of Directors

John Beard joined the Board as a Non-executive Director in April this year and Nicola Stenhouse, a lawyer and member of the founding family has also joined the Board as a Non-executive Director. This completes the composition of our Board.

Outlook

Following two years of strong investment in our business, we enter a year of consolidation to bed down the structural and operational changes we have implemented. In common with other commentators, we see the next 12 months as more challenging with the headwinds from uncertainty over Brexit, inflationary rises and the subsequent increasing signs of pressure on consumer spending. Both our pub and beer businesses are much better positioned to deliver overall profit growth with the right support structure firmly established. I would like to thank all the people working in our pubs, the brewery and support centre for their ongoing commitment and contribution to Wadworth and look forward to seeing the further development of the Company over the coming 12 months.



Notice of Meeting

NOTICE IS HEREBY GIVEN THAT THE One hundred and twenty eighth Annual General Meeting of the Company will be held at the The Bear Hotel, Market Place, Devizes on Monday 18 December 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 2017, together with the Auditors' Report thereon.
2. To declare a final dividend of 17.25p on the Ordinary and "A" Ordinary Shares.
3. To confirm Mr J Beard as a Director of the Company.
4. To confirm Mrs N C Stenhouse as a Director of the Company.
5. To re-elect Mr C Welham as a Director of the Company.
6. To re-elect Mr L J Stephens as a Director of the Company.
7. To re-elect Mr N J B Atkinson 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 20 November 2017

By order of the Board



A G PERCY Secretary

Registered Company Name: Wadworth and Company Limited

Registered Company Number: 00030177

Financial Diary 2018

January 2	Final Dividend on Ordinary and "A" Ordinary Shares.
March 30	Half-Yearly Dividend on 10.25% and 9.5% Preference Shares
May 25	Announcement of interim results for half year to 31 March 2018, Interim Dividend on Ordinary and "A" Ordinary shares.
September 28	Half-Yearly Dividend on 10.25% and 9.5% Preference Shares
November 23	Announcement of the results for the year ended 30 September 2018
December 17	Annual General Meeting



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 **£31,865** (2016: £30,945).

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:

- Operational
- Legislative
- Economic
- Financial

The Company continually assesses the risks and uncertainties that could impact the business and more details are provided on page 26 and 27.

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 8. 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.



A G PERCY Secretary 20 NOVEMBER 2017

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



Managed House estate NOW **54 pubs**

Almost
1,000 employed
in our Managed Estate

EBITDA ▲
up 13%

£16 million

INVESTED in pub estate

Managed House
like for like
turnover up **3.6% ▲**

3 Managed House
ACQUISITIONS

Tenanted —————
2.5% profit growth
————— with 6 less pubs —————

NEW
Website &
online shop
LAUNCHED

6X
AWARDED
GOLD

from
World Beer
Awards

6X Gold & 6X
receives **BRONZE** *at the*
International Beer Challenge

47 Apprentices
employed across
54 pubs

Local **Devizes**
& Wiltshire charities
supported with over

£32k DONATIONS

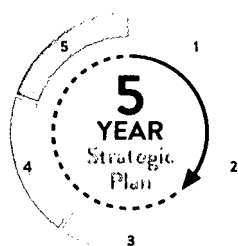


Strategic Review

This has been a second year of solid progress for Wadworth as we have continued to develop the Company for the long term. Our ambition remains unchanged - to be the best regional pub operator and family brewer. This year we have established a firm foundation for the future. From 2018 our aim is to selectively add new managed pubs to our estate whilst continuing to invest organically to deliver consistent profit growth.

The set-up phase of our strategy has taken a little longer than we first envisaged, but we believe it is important to get it right and we continue to invest in a number of areas including the brewery and our support centre to bring them into the modern era and have established a solid business infrastructure with a much improved people capability. Undoubtedly, we are stronger and better positioned to deliver the growth we aspire to over the coming years.

Strong trading success from our pubs this year has been offset by an increased overhead base for the business. We have needed to increase headcount and capability in the areas of Managed Houses, Marketing, Finance, Property and Production. We see Managed as being our engine of growth and have supported this area of the business, in particular, with additional resource. Managed House pub numbers have grown by six this year to 54 from 48 last year. Total Managed House sales were up by 16.2% and despite the focus on new pubs in the estate, the like for like Managed estate has delivered sales growth of 3.6%. Average Managed House profit per pub has increased by 5.8% on a like for like basis. Tenanted has also had a strong year and grown overall profit contribution by 2.5% with six fewer pubs. Tenanted pub numbers now stand at 159 as at year end and average profit per pub has also grown by 2.9% on a like for like basis. It has been slower in our Beer Business to get the cut through we hoped for this year but there are relationships being strongly re-established now across all the channels and I remain encouraged by the foundations that are in place here in a channel where results are never instantaneous.





BEST PEOPLE:

Our people calibre in the business has seen a step change this year. We now employ almost 1,000 people across our Managed pub estate and 117 in our Devizes site including our support centre and brewery. We have changed some personnel and introduced some new roles into the business. We are working hard to improve the level of engagement our people have with the business and this year's employee survey resulted in 89% saying they would recommend Wadworth as a great place to work.

We have invested £135k in training and development for our people this year which includes online compliance training for all of our employees in our pubs and in the Brewery and Support Centre covering health and safety and fire risk assessments. Similarly, all senior and middle management have participated in a leadership development programme throughout the year. We have carried out 1,868 training days in total this year. Our Retail Development Managers for our Tenanted pubs are also

undertaking the NVQ Level 5 qualification in Multi Unit Management with Leeds Beckett University and will all be qualified by the end of next year.

We continue to focus on developing new talent via Apprenticeships with 47 apprentices currently in our pub business.

Finding and keeping good calibre chefs remains an industry challenge. As we continue to grow our food capability, we are developing a strategy to improve how we attract, appoint, develop and retain people in this vital area of the business.

Key achievements in 2017

- 89% employee advocacy
- £135k invested in training
- 47 apprentices in our pub business





BEST USE OF ASSETS:

We continue to reposition the pub estate to be much more customer focused and relevant to the markets we are operating in for each individual pub. All the trading segments have been further aligned this year across the areas of training, food and drink offers and internal and external signage.

Continued focus on statutory compliance, repairs and maintenance in the pub estate, plus the significant investment carried out over the last two years is further improving the standard of our pubs in line with the estate plan.

This year we disposed of six Tenanted pubs that did not fit with our long term strategic plans: John Bull, Trowbridge; Hare & Hounds, Devizes; Rose & Crown, Bath; Eldon Arms, Reading; Rose & Crown, East Lyng; and the Longs Arms, South Wraxall. We have also transferred three pubs to our Managed House estate.

We have purchased three new pubs for Managed Houses for a total spend of £7m: the Bird in Hand, Maidenhead; the Stag, Alcester; and the Dolphin, Botley.

We have addressed new fire risk assessment requirements in the brewery and some remedial works to the main building. We have commenced a small refurbishment programme in our Devizes support centre to create a more modern, open plan, improved working environment.

Key achievements in 2017

- **£5 million investment in our Tenanted Estate**
- **£4 million Managed House investment spend**
- **£7 million acquisition spend on three new pubs**
- **6 Tenanted pubs sold**
- **3 Tenanted pub transfers to Managed Houses**





BEST BEERS:

We continue to develop ways to grow our brewing volume and strengthen our beer brands. The disposal this year of our regional Free Trade beer business to Conviviality has helped us to focus more closely on how we can best develop our beer business. The partnership approach with Conviviality's wholesaler Matthew Clark will enable our beer brands to grow within their customer base in this very competitive arena. In addition, to further support Matthew Clark, we can also now concentrate closely on developing our relationships in National pub companies, other wholesalers, the Off Trade and the Export market.

Two new Beer Brand Managers have helped to reinvigorate our propositions and improve engagement in particular across the South West. A team of seven Field Sales Executives are further delivering on the ground support at a local level in pubs, clubs, restaurants and supermarkets. We have been much more visible this year at key local, regional and national events including the Allergy and Free From Show in London where 6X Gold proved to be very popular.

Our beer has also received industry recognition this year with 6X achieving Gold at the World Beer Awards in the UK Ale 4-5% category and 6X and 6X Gold both achieving Bronze in the International Beer Challenge alongside a Bronze for the redesign of our core range of beer packaging.

A new and exciting seasonal range of beers this coming year includes Epic Brew, Studs Up, Game of Stones, Red APA and Big Baubles for Christmas.

Key achievements in 2017

- Gold at the World Beer Awards for 6X
- International Beer Challenge awards for 6X and 6X Gold
- National distribution for our beer brands through Matthew Clark partnership
- 5 new seasonal ales for 2018





BEST EXECUTION:

This year we have upgraded our financial accounting and business management system (Navision). We continue to concentrate on efficiencies in procurement and in conjunction with a newly appointed Purchasing Manager we see good opportunities across the whole business.

Our pubs now have access to a new online print solution for point of sale. We also offer our pub Managers and Business Partners two new digital marketing courses to ensure that they communicate with their consumers in the most appropriate way.

We continue to look at how we can improve our ways of working with our Customer Relationship Management system.

Key achievements in 2017

- Improved IT service team
- New Navision reporting system implemented
- Low cost and efficient print solution for pubs launched





BEST CUSTOMER EXPERIENCE:

Our recent collaboration with Conviviality's Bibendum is an exciting development which will see a new range of quality wines and spirits introduced across our pub estate. An improved Wi-Fi system has been installed in all Managed pubs and is also available to our Tenanted Business Partners. We have introduced "Guest Revu" for pubs with accommodation and this has led to an increase in Trip Advisor scores for these sites. Our Magical Places, Legendary Pubs programme in our Managed Houses continues to drive great focus on the customer.

The new corporate website and online shop has enabled very simple and easy to use digital technology for browsing and purchasing Wadworth goods online.

Key achievements in 2017

- **New website and online shop launched**
- **Guest Revu accommodation introduced**
- **Trip Advisor scores increased**
- **Single source wine and spirits supply through Bibendum (Conviviality plc)**





SUMMARY:

The reality of the first two years of the five-year plan is that the “set up” phase has taken longer than we anticipated. We have invested harder and slightly ahead of plan in our infrastructure and in our pubs both organically and through acquisition. Headcount is being managed within budget but payroll accounts for one of the largest year on year increases (+15%) in costs this year. We have now established the right structure in the business with the right people, in the right roles. Other significant year on year cost differences are depreciation (+18%) and interest costs (+11%).

In comparative terms, there is therefore a short-term profit lag, affected not least by a relatively poor trading period versus the exceptional one last year for July, August and September. The total upside from investment is yet

to flow through fully as some of the invested pubs are taking longer to reach maturity. Overall return on investment however remains comfortably ahead of our 15% hurdle rate.

This year has seen the impact on the comparatives that come from scaling up the business to deliver our long-term ambitions. Therefore the profit upside that comes from this will show next year. We remain cautious about the uncertainty being created through Brexit negotiations and associated inflationary pressures and are also conscious that the consumer is starting to see more of a squeeze on their discretionary spend. However, we believe our pub estate and overall business to be well positioned with the investment and training we have carried out in the last two years and that the business remains robust.

20 NOVEMBER 2017



Profit & Loss

Profit & Loss Account for the year ended 30 September 2017

WADSWORTH & CO <small>INCORPORATED IN THE UNITED KINGDOM</small>	Notes	2017 £'000	2016 £'000
TURNOVER	(3)	67,963	62,650
Cost of Sales		(25,861)	(24,801)
GROSS PROFIT		42,102	37,849
Distribution and selling costs	(3)	(30,646)	(26,732)
Administrative expenses		(4,583)	(4,517)
		(35,229)	(31,249)
OPERATING PROFIT		6,873	6,600
Exceptional items:-			
Re-organisation costs		-	(394)
Profit on disposal of fixed assets		562	455
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		7,435	6,661
Interest receivable and similar income		1	1
Interest payable and similar charges		(1,381)	(2,438)
Preference dividends		(469)	(469)
Interest on pension scheme	(18)	(146)	(148)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	(5)	5,440	3,607
TAXATION	(6)	(849)	(707)
PROFIT FOR THE FINANCIAL YEAR		4,591	2,900

Statement of Comprehensive Income for the year ended 30 September 2017

WADSWORTH & CO <small>INCORPORATED IN THE UNITED KINGDOM</small>	Notes	2017 £'000	2016 £'000
Profit for the financial year		4,591	2,900
Remeasurement gain/(loss) on pension scheme	(18)	2,668	(2,606)
Deficit offset by additional contributions	(18)	375	375
Deferred tax on pension scheme movements	(18)	(597)	476
TOTAL COMPREHENSIVE INCOME		6,937	1,145

Statement of Changes in Equity

WADSWORTH & CO <small>INCORPORATED IN THE UNITED KINGDOM</small>	Called Up Share Capital £'000	Profit & Loss Account £'000	Total £'000
As at 1 October 2015	7,594	70,077	77,671
Profit for the year	-	2,900	2,900
Other movements in comprehensive income	-	(1,755)	(1,755)
Dividends Paid	-	(1,800)	(1,800)
As at 30 September 2016	7,594	70,699	78,293
Profit for the year	-	4,591	4,591
Other movements in comprehensive income	-	2,346	2,346
Dividends Paid	-	(1,849)	(1,849)
As at 30 September 2017	7,594	75,787	83,381



Balance Sheet

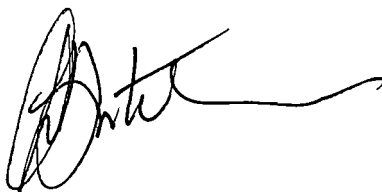
Balance Sheet as at 30 September 2017

WADWORTH & CO

	Notes	2017		2016	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Intangible assets	(8)		12		41
Tangible assets	(9)		145,287		132,363
			145,299		132,404
CURRENT ASSETS					
Stocks	(10)	1,973		1,994	
Debtors	(11)	4,805		4,232	
Loans and unquoted investments	(12)	137		136	
Cash at bank and in hand		651		539	
		7,566		6,901	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	(13)	10,564		11,342	
NET CURRENT ASSETS/(LIABILITIES)			(2,998)		(4,441)
TOTAL ASSETS LESS CURRENT LIABILITIES			142,301		127,963
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	(14)	52,232		40,727	
PROVISION FOR LIABILITIES AND CHARGES	(15)	2,924		2,382	
			(55,156)		(43,109)
NET ASSETS EXCLUDING PENSION LIABILITY			87,145		84,854
PENSION LIABILITY	(18)		(3,764)		(6,561)
NET ASSETS			83,381		78,293
CAPITAL AND RESERVES					
Share capital	(16)		7,594		7,594
Profit and Loss Account			75,787		70,699
			83,381		78,293

Approved by the Board and signed on 20 November 2017

C J E BARTHOLOMEW : Chairman



The notes on pages 26 to 35 form part of these accounts. Company registration number: 00030177.



Cash Flow

Cash Flow Statement for the year ended 30 September 2017

WADSWORTH & CO

	Notes	2017 £'000	2016 £'000
Cash flows from operating activities			
Profit for the financial year		4,591	2,900
Adjustments for:			
Depreciation charges and amortisation		3,561	2,993
Profit on sale of fixed assets		(562)	(459)
Interest		1,380	2,437
Tax on profit on ordinary activities		849	707
Pension scheme - net interest cost/(credit)		146	148
(Increase)/decrease in stock		21	45
(Increase)/decrease in debtors		(574)	315
Increase/(decrease) in creditors		(1,219)	1,424
Cash from operations		8,193	10,510
Taxation paid		(824)	(934)
Net cash generated from operating activities		7,369	9,576
Cash flows from investing activities			
Payments to acquire intangible fixed assets	(8)	-	(8)
Payments to acquire tangible fixed assets	(9)	(18,521)	(13,864)
Proceeds from sale of intangible fixed assets		1,008	-
Proceeds from sale of tangible fixed assets		1,619	4,727
Net cash used in investing activities		(15,894)	(9,145)
Cash flows from financing activities			
Bank loans / (repayments)		12,000	0
Interest paid		(1,875)	(1,679)
Equity dividends paid		(1,849)	(1,800)
Net cash used in financing activities		8,276	(3,479)
Net (decrease)/increase in cash & cash equivalents		(249)	(3,048)
Cash and cash equivalents at 1 October		(1,437)	1,611
Cash and cash equivalents at 30 September		(1,686)	(1,437)
Cash and cash equivalents consists of			
Cash at bank		651	1539
Bank overdraft	(13)	(2,337)	(1,976)
Cash and cash equivalents		(1,686)	(1,437)
Bank loans and preference share	(14)	(51,866)	(39,866)
Net Debt		(53,552)	(41,303)
Reconciliation of net cash flow to movement of net debt			
(Decrease)/increase in cash		(249)	(3,048)
(Increase)/decrease in loans		(12,000)	0
Movement in net debt		(12,249)	(3,048)
Net debt at 1 October		(41,303)	(38,255)
Net debt at 30 September		(53,552)	(41,303)



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. The following list sets out the principal risks identified by the Board and the actions taken by management to monitor and manage the risk.

MANAGEMENT ACTIONS

Operational Risks

Brewery Site: The Northgate Brewery produces all our beers and a serious accident at the site or a breakdown of major equipment would impact on our production capabilities.

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.

Information Technology: 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.

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.

Legislative Risks

Statutory Legislation/Voluntary Code: 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.

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.

Health & Safety: The safety of our customers and staff is a high priority. The business must comply with all the Health & Safety regulations that apply to our industry.

The Company employs a Head of Property, Compliance Administrator and a third party food safety company to ensure that the health and safety policies are kept up to date and all relevant staff are trained at the right levels. Managed house staff 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. All our support centre and brewery team completed compliance training in 2017.

National Living Wage: 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.

The current salary structure in place has not been significantly affected by the National Living Wage. In the likelihood that the National Living Wage rises disproportionately, we will manage resourcing to balance this against increased costs.

Brexit: The decision by the UK to leave the EU is impacting the economy and the strength of sterling. Inflation will have an impact on the costs to the Wadworth business as will the reduction in free movement of labour.

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 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 sustainability of the hospitality sector in the UK.



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 with lower sugar content. 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.

Pensions: The Company has a defined benefit pension scheme. The scheme is closed to new members and future accrual, but there remains 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, increasing to £392,000 per annum in the 2018 financial year.

EU General Data Protection Regulation (GDPR) 2018: New data protection regulations come into force in May 2018 and will impact on how we collect, maintain and use personal data within the business and the cloud.

A project team has been brought together led by our Digital Strategy Manager. We are ensuring that our data collection and data already held complies with the new rules and that all those involved using and gaining data are educated in the new ways with processes in place.

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. 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 or estimated selling price less costs to sell. 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 not reversed at the balance sheet date. The provision is calculated on an undiscounted basis at the tax rate applicable to these accounts, 19% (2016 20%).

(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 (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	2017 £'000	2016 £'000
Retail sales	40,911	35,317
Wholesale sales	21,086	21,957
Other sales include mainly tenancy rents, fruit machine income and other income	5,966	5,376
	67,963	62,650
Distribution and selling costs		
Wholesale trade selling costs	4,871	4,544
Retail trade selling costs – Brewery	4,339	3,806
Retail trade selling costs – Retail premises	19,883	16,824
Transport & storage costs	1,553	1,558
	30,646	26,732

4. STAFF NUMBERS AND COSTS

The average number of persons employed by the Company was 1043 (2016: 917) split into the following categories:

Manufacture	28	26
Sales and distribution – Brewery	41	37
Administrative	51	46
Sales and distribution – Retail premises	923	808
	1,043	917
The aggregate payroll costs of these persons were as follows:		
Wages and salaries – Brewery	5,037	4,588
Social Security costs – Brewery	573	554
Wages and salaries – Retail premises	12,308	10,321
Social Security costs – Retail premises	650	525
Other Pension costs, including the pension deficit contribution	841	797
Re-organisation costs (Exceptional item)	-	394
	19,409	16,785
The aggregate emoluments of the directors, including pension contributions	944,911	731,608
The number of directors who are members of the closed defined benefit scheme	2	3
Emoluments of the highest paid director, excluding pension contributions	275,290	226,785

At 30 September 2017 the amount of the accrued pension of the highest paid director was £0 (2016: £0 p.a.).

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



5. PROFIT BEFORE TAXATION	2017 £'000	2016 £'000
This is stated after charging/(crediting) the following:		
Interest received	(1)	(1)
Rent income	(4,216)	(4,279)
Interest on bank overdraft and other loans repayable within five years	1,525	1,292
Interest on bank overdraft and other loans repayable in more than five years	(144)	1,146
Preference dividends	469	469
Depreciation of tangible assets	3,532	2,943
Accelerated depreciation	-	1,075
Amortisation of goodwill	29	50
Auditors' remuneration - Audit services - company	59	57
Audit services - pension scheme	10	4
Accounting services	3	4
Taxation - compliance services	8	8
Taxation - other services	-	5
Other services - payroll	16	16
Directors' emoluments	945	817
Operating lease rentals - plant and machinery	297	247
Land and buildings	674	562

6. TAXATION	£'000	£'000
Analysis of tax charge in the year:		
UK Corporation tax on income for the year	910	880
UK Corporation tax adjustment for previous years	(6)	(11)
Deferred taxation charge re timing differences	191	(162)
Deferred taxation credit re capital gains eliminated by capital	(55)	-
Deferred taxation credit re tax rate reduction	(191)	-
Taxation charged to the profit & loss account	849	707
Reconciliation of tax charge:		
Profit on ordinary activities before tax	5,440	3,607
Profit on ordinary activities multiplied by average rate of Corporation tax of 19.5% (2016: 20.0%)	1,061	721
Effect of:		
Dividends and expenses not deductible for tax purposes	23	445
Capital allowances in excess of depreciation	(65)	20
Capital gains rolled over or eliminated by losses	(109)	(306)
Corporation tax on income for the year	910	880



7. EARNINGS PER SHARE	2017 £'000	2016 £'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)	4,591	2,900
Number of ordinary shares issued	7,593,886	7,593,886
Earnings per share	60.46p	38.19p

8. INTANGIBLE FIXED ASSETS	£'000	£'000
Properties acquired during the year gave rise to the purchase of goodwill of:	0	8
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	108,426	5,842	59,167	173,435
Additions	9,891	455	8,175	18,521
Disposals	(1,921)	0	(862)	(2,783)
Closing balance	116,396	6,297	66,480	189,173
Depreciation:				
Opening balance	3,276	2,080	35,716	41,072
Charge for the year	350	235	2,947	3,532
Withdrawn on disposals	(163)	0	(555)	(718)
Closing balance	3,463	2,315	38,108	43,886
Net Book Value: 2017	112,933	3,982	28,372	145,287
2016	105,150	3,762	23,451	132,363

Leasehold properties comprised	2017	2016
Long-lease (over 50 years)	1,858	1,779
Short-lease (under 50 years)	2,124	1,963
	3,982	3,762

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	2017 £'000	2016 £'000
Brewing materials, beers and consumables	703	699
Minerals and ciders	20	8
Wines and spirits	216	440
Stocks at retail premises	1,010	829
Horses	24	18
	1,973	1,994



11. DEBTORS	2017 £'000	2016 £'000
Trade debtors	4,054	3,638
Prepayments and accrued income	751	594
	4,805	4,232

12. LOANS AND UNQUOTED INVESTMENTS	£'000	£'000
Loans to free trade customers and tenants	129	125
Loans to employees	8	11
	137	136

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	£'000	£'000
Bank borrowings	2,337	1,976
Trade creditors	4,179	4,192
Other creditors	318	2,070
Corporation tax	460	380
Social Security and other taxes	2,020	1,449
Tenants' deposits (repayable when the licensee relinquishes their tenancy)	1,250	1,275
	10,564	11,342

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	£'000	£'000
(a) Preference Share Capital:		
10 ¼% Cumulative Preference Shares of £1 each	923	923
9 ½% Cumulative Preference Shares of £1 each	3,943	3,943
	4,866	4,866
(b) Bank borrowing: The Company has three secured loans of between 4 and 8 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.	47,000	35,000
	51,866	39,866
(c) Interest rate swap arrangements: 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:	366	861
	52,232	40,727

15. PROVISION FOR LIABILITIES AND CHARGES	£'000	
Provision for deferred taxation:		
Opening balance	2,382	3,020
Charge/(credit) for the year - Profit & Loss	(55)	(162)
Charge/(credit) for the year - Pension scheme	597	(476)
	2,924	2,382



16. SHARE CAPITAL

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

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 2017				30 September 2016			
		Ordinary	'A' Ord	10¼% Pref.	9½% Pref.	Ordinary	'A' Ord	10¼% Pref.	9½% Pref.
C J E Bartholomew	Beneficial	351,095	1,091	11,060	66,848	331,095	925	871	67,848
	As Trustee	51,696	176,724	6,404	79,833	51,696	176,724	6,404	79,833
N J B Atkinson	Beneficial	670	-	-	1,380	670	-	-	1,380
C Welham	Beneficial	-	4,200	-	-	-	4,200	-	-
AG Percy	Beneficial	1,055	-	-	-	1,055	-	-	-
LJ Stephens	Beneficial	680	-	-	-	680	-	-	-
R A Bagnall	Beneficial	-	-	-	-	-	-	-	-
J Thomas	Beneficial	-	-	-	-	-	-	-	-
N C Stenhouse	Beneficial	-	24,214	9,990	24,429	-	24,214	9,990	24,429
E S Harford	Beneficial	84,143	243,046	9,033	106,118	84,143	243,046	9,033	106,118
J E Beard	Beneficial	-	-	-	-	-	-	-	-

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

17. COMMITMENTS

At 30 September 2017 the Company was committed to making the following payments.

	2017 £'000	2016 £'000
Operating leases		
Future minimum lease payments:		
Within one year	860	842
In two to five years	2,173	2,093
After five years	2,280	2,189
	5,421	5,550
Material capital commitments	141	1,310
Future hop contracts	327	293

There were material capital commitments as at 30 September 2017 of £.2m (2016 £1.31m).
The Company has future hop contracts to the value of £327,000 (2016 £293,000).



18. PENSION COMMITMENTS

The Company operates pension schemes for all qualifying employees.

Defined benefits scheme

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 2016. Under the agreed schedule of contributions, the Company shall pay contributions of £392,000 pa until 31 May 2024.

We set out below disclosures as at 30 September 2017 based on the proposed assumptions set out in this report, together with disclosures as at 30 September 2016.

The major financial assumptions used by the actuary were:

	At 30/9/17 % per annum	At 30/9/16 % per annum
Discount Rate	2.70%	2.30%
Rate of increase in pensions in payment	3.20%	3.00%
RPI assumption	3.40%	3.10%
CPI assumption	2.40%	2.10%
Life expectancy at age 65:	Years	Years
Current pensioners: Male	22.3	22.5
Female	24.0	24.2
Future pensioners (now aged 45): Male	24.5	25.2
Female	25.9	26.6

Assets	30/9/2017 £'000	30/9/2016 £'000
UK equities	609	3,342
Overseas equities	-	4,557
Diversified growth funds	9,934	2,346
Target return	3,943	-
Property	1,007	462
Corporate bonds and gilts	2,338	5,548
Insurance annuities	674	714
Cash and other	568	1,118
Fair value of scheme assets	19,073	18,087
Actual return on scheme assets over period	1,361	2,660

	£'000	£'000
Total expense recognised in profit and loss		
Service cost	-	-
Net interest on net defined benefit liability	146	148
Administration expenses	-	-
Profit and loss charge	146	148



	30/9/2017 £'000	30/9/2016 £'000
Total amount recognised in other comprehensive income		
Return less interest income on scheme assets	949	2,072
Actuarial gain/(loss) on liabilities	1,619	(4,678)
Remeasurement (gain/loss) recognised in OCI	2,568	(2,606)

	£'000	£'000
Statement of financial position		
Fair value of scheme assets	19,073	18,087
Present value of defined benefit obligation	22,837	24,648
Net surplus/(deficit) in scheme	(3,764)	(6,561)

	£'000	£'000
Changes in the fair value of scheme assets		
Fair value of scheme assets at start of period	18,087	16,360
Interest income on scheme assets	412	588
Return less interest income on scheme assets	949	2,072
Contributions by the employer	375	375
Contributions by employees	-	-
Benefits paid	(750)	(1,308)
Administrative expenses	-	-
Fair value of scheme assets at end of period	19,073	18,087

	£'000	£'000
Changes in the defined benefit obligation		
Defined benefit obligation at start of period	24,648	20,542
Service cost (for pension benefits)	-	-
Interest cost on defined benefit obligation	558	736
Contributions by employees	-	-
Benefits paid	(750)	(1,308)
Actuarial (gain)/loss	(1,619)	4,678
Defined benefit obligation at end of period	22,837	24,648

	£'000	£'000
Reconciliation of funded status		
Opening surplus/(deficit)	(6,561)	(4,182)
Employer contributions	375	375
Credit/(charge) recorded in P&L	(146)	(148)
Gain/(loss) recorded in OCI	2,568	(2,606)
Closing surplus/(deficit)	(3,764)	(6,561)

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 £466,000 (2016: £432,000). No contributions were outstanding at the year end (2016: NIL). 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.



Independent Auditor's Report

Opinion

We have audited the financial statements of Wadworth and Company Limited for the year ended 30 September 2017 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 notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2017 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.

Basis for opinion

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

Conclusions relating to going concerns

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- The Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Chairman's statement other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report the fact.

We have nothing to report in this regard.



Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

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 material misstatements in the strategic report or Directors' report.

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

- adequate accounting records have not been kept, 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 law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement (set out on page 9) the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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



MICHAEL BUCKLAND Senior Statutory Auditor

20 November 2017

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



Statistical Review

WADSWORTH & CO

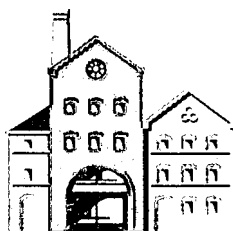
SINCE 1844

Profit and Loss	2013	2014	2015	2016	2017
	£'000	£'000	£'000	£'000	£'000
Turnover	56,111	57,000	58,002	62,650	67,963
Profit from ongoing operations	6,642	6,760	6,909	6,975	7,248
Pension deficit contributions	(375)	(375)	(375)	(375)	(375)
Operating profit	6,267	6,385	6,534	6,600	6,873
Net interest payable	(2,062)	(2,067)	(1,958)	(2,437)	(1,380)
Profit on ordinary activities	4,205	4,318	4,576	4,163	5,493
Preference dividends	(469)	(469)	(469)	(469)	(469)
Net return on Pension Scheme	64	215	(146)	(148)	(146)
Profit before tax	3,800	4,064	3,961	3,546	4,878
Taxation	(913)	(700)	(918)	(707)	(849)
Profit on disposal of fixed assets	187	189	74	455	562
Re-organisation costs	-	(240)	-	(394)	-
Attributable to ordinary shareholders	3,074	3,313	3,117	2,900	4,591
Ordinary dividends	1,648	1,701	1,747	1,800	1,849
Earnings per Ordinary Share	40.50p	43.62p	41.05p	38.19p	60.46p
Earnings adjusted for re-organisation costs	-	46.78p	-	43.37p	-
Dividends per Ordinary Share	21.70p	22.40p	23.00p	23.70p	24.35p
Assets Employed					
Fixed Assets	116,802	118,021	125,792	132,404	145,299
Current Assets	8,904	13,995	8,333	6,901	7,566
	125,706	132,016	134,125	139,305	152,865
Current liabilities	(8,854)	(12,404)	(8,006)	(11,342)	(10,564)
	116,852	119,612	126,119	127,963	152,301
Long term finance	(33,316)	(34,866)	(39,969)	(40,727)	(52,232)
Deferred taxation	(2,679)	(2,492)	(3,020)	(2,382)	(2,924)
Pension liability	(1,907)	(3,107)	(4,182)	(6,561)	(3,764)
Net Assets	78,950	79,147	78,948	78,293	83,381
Gross Capital Expenditure	5,865	5,389	12,880	13,864	18,521
Average number of employees	793	805	806	917	1,043

2015, 2016 and 2017 figures reflect preparation under accounting standard FRS 102; 2013 and 2014 were prepared under the 'old GAAP' standards applicable at that time.



**HARD CRAFT
SINCE 1875**



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