Registered No: 00106884

CHARLES WELLS LIMITED

Report and Financial Statements

29 September 2019

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Directors

P R Wells	(Chairman)
W A J Phillimore	
A R Fryer	
P J Wells	
P S Rawlinson	(Non-Executive)
R L Ivell	(Non-Executive)
G C V Wells	(Non-Executive)

Auditors
Ernst & Young LLP
400 Capability Green
Luton
LU1 3LU

Bankers
HSBC Bank Plc
12 Allhallows
Bedford
MK40 1LJ

Solicitors
Freeths
Routeco Office Park
Davy Avenue
Knowlhill
Milton Keynes
MK5 8HJ

Registered office
Eagle Brewery
Havelock Street
Bedford
Bedfordshire
MK40 4LU

Strategic Report

The directors present their report and financial statements for the 52 week period ended 29 September 2019 (the “year”).

Principal activities and review of the business

The Group’s principal activities in the year continued to be the ownership of public houses on which revenue is received from Pub Partners and the brewing and sale of beer. The Group has also continued the expansion of its managed house operations in both the UK and France.

As previously reported, on 2nd June 2017, the Group sold the brewing trade and assets to Marston’s PLC. Whilst the Group progresses with building a new brewery, the focus of the business in the short term has been on delivering strong growth from the pub divisions. Brewing remains an integral part of the Charles Wells strategy and our remaining brands, along with a seasonal beer range, are being brewed under contract until our new brewery is operational.

Key Performance Indicators:

	2019	*2018*
	£000	*£000*
Total turnover	53,243	43,013
Operating profit (before exceptional)	5,281	5,018
EBITDA*	9,839	10,349
Cash	3,863	6,068

In the year to 29 September 2019, sales income from continuing operations increased by £11m to £54m.

Operating profit before exceptional costs was £5.3m (2018 £5.0m) which is £0.3m higher than last year driven in the main by growth in our managed houses in both the UK and France. Profit after tax of £1.4m (2018 £3.4m) is down on the previous year by £2.0m due partly to the exceptional costs in the current year relating to past service costs on the pension, restructuring costs, the loss on the fair value of non-cash derivatives and a reduction in property disposals.

Group adjusted EBITDA* of £9.8m is less than the previous year, due to a decrease in profit on property disposals.

* The directors utilise a non UKGAAP measure, which the Group's banks also consider relevant, which highlights the cash generated from operations. This is 'adjusted EBITDA'. The directors define adjusted EBITDA as 'Profit before tax, exceptional items, interest, depreciation and amortisation but including property gains or losses and finance income on pension scheme'.

Strategic Report (continued)

Pubs

The Pub Partner business maintained turnover of £24m in a challenging market. Whilst the majority of the estate performed well, now resolved operator issues at a handful of larger sites impacted significantly upon the operating result. Highlights for the year include some truly excellent developments and the first two acquisitions for ten years. We continue to search for further new sites for our Pub Partner business without lowering our strict acquisition criteria. With wider changes within the industry during the past year we believe that there will be significant opportunity in the next couple of years.

We have grown the UK managed estate from ten pubs to twenty during the year with:

- the addition of five Pizza Pots & Pints pubs in Loughborough, Leicester, Nottingham and Coventry.
- the development of the Old Cock Inn in Harpenden as an Apostrophe pub
- the joint venture partnership with Little Gems, bringing their four sites into our managed family.

As a result of these additions, and continued growth at existing sites, Net Revenue has grown 115% to £16.1 million.

France revenue grew by 12% as we continued to see growth from our existing thirteen pubs coupled with the opening of four pubs in the year, the Market Brewhouse in Reims, The Red Lion and The Market Tavern both in Bordeaux and The Tower of London in Toulouse.

Our continued focus on improving the long term sustainability of our pub estate saw one smaller and unviable site being sold in the year, generating £0.3m of sales proceeds.

Financing

The net debt position including shareholder bond is £16.9m (2018 : positive £2.0m).

Our acquisition strategy will see debt levels continue to increase. Associated interest will therefore continue to rise in 2020.

Principal risks and uncertainties

The main risks associated with the group's financial assets and liabilities are as follows:

New Brewery Development

Charles Wells are in the process of building the new brewery. Contracts for the construction of the building and the provision of the brewing equipment are in place. With the high level of investment and decisions around the new brewery it is appropriate to highlight this as a key risk. However, the risk is mitigated by the use of external advisors and the focus of senior management.

Interest rate risk

Even though our current debt is minimal, Charles Wells intends to grow the pub businesses in the coming years and will fund this growth strategy partly through debt. It therefore remains essential that the business manages the interest rate risk that surrounds long term borrowings. The fair value of the interest rate swaps at the year end is disclosed in note 29. It is Charles Wells' policy to look to ensure that going forward, borrowings are hedged using an appropriate mix of short and medium term instruments.

Foreign currency risk

With a French managed pub business, Charles Wells is exposed to volatility in exchange rates. To mitigate this when the Group has a net debt position, Charles Wells funds all growth in France through Euro denominated borrowings to ensure a natural hedge is in place.

Strategic Report (continued)

Economic risk

Pubs have experienced rising costs over recent years and this generates industry wide uncertainty over the performance of the sector. Business rates is the most recent area of significant increase which is helping to drive the increased level of pub closures in the UK.

We continue to see even further economic uncertainty regarding Brexit with no clear indication as to whether an agreement for exit in 2020 will be achieved or if it will be a hard Brexit. As there is no certainty over what conditions will be set by leaving the EU consumer confidence is fragile. We have held discussions with our bankers and our key suppliers in both UK and France to ensure that whilst nobody knows exactly what shape Brexit will take we do have contingency plans in place to ensure that our pubs can continue to trade on both sides of the channel. Our strong funding position provides a secure platform to withstand the challenges the country may face.

We continuously strive to drive down costs in all areas of the business whilst never losing the focus upon both quality and the importance of long-term relationships with our suppliers and customers. Our pub partners are also impacted by these same factors and we look to provide additional operational and financial support wherever needed and appropriate.

Liquidity risk

The Group minimises liquidity risk by tight control over cash collection and managing the cash and borrowing position against detailed rolling forecasts. The Group has a mixture of long and short term debt and overdraft facilities.

Defined benefit pension scheme

Both the company and the pension trustees continue to work tirelessly to manage the defined benefit pension scheme and its funding position. Continued uncertainty from Brexit impacts upon accounting assumptions used to value the pension scheme position which the Group has to reflect. However it is important that both the Group and the pension trustees continue to separate the cash requirements and the accounting treatment of the pension scheme and focus on the former as this is the critical area.

Strategy and future developments

The changes in the UK's economic outlook post Brexit presents the Group with both risks and opportunities. The focus is on continuing the expansion of our Managed House operations in both the UK and France.

Additional legislation and regulation add to the cost base of the hospitality sector as a whole but with strong investment and a strong retail offer, it is felt Charles Wells will be able to grow its position and take advantage of opportunities as they arise.

The Company continues to focus and invest heavily in the engagement and leadership of our people to create "an experience they would recommend to their friends" which is our Company purpose. The focus of the Company's people and leadership team will be embedding its purpose and values as well as improving capability. In addition, the Company will continue to improve the customer and supplier experience and is evolving its people and processes accordingly.

By order of the Board

A R Fryer
Finance Director

19 December 2019

Directors' report

The Directors' present their report for the period ended 29 September 2019.

Directors of the company

The current directors are shown on page 1.

Dividends

		£000	£000
Group net profit for the year after taxation			1,414
Less dividends:			
Paid	- Final dividend for 2018: £3.90 per share (2017 = £3.75 per share)	1,437	
	- Interim dividend for 2019: £2.45 per share (2018 = £2.35 per share)	903	
			2,340
Retained loss for the period			(926)

We are recommending a final dividend of £4.05 (2018: £3.90) giving a total dividend for the year of £6.50 (2018: £6.25). If approved at the AGM on 18th January 2020, the final dividend will be paid on 2nd April 2020 for shareholders on the register on 4th March 2020.

Directors' liabilities

The Group has granted an indemnity to each of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provisions remain in force as at the date of the Directors' report.

Safety policy

The Group has adopted a policy on health and safety at work which is available to all employees through the Company intranet and is regularly reviewed. The Group recognises its responsibility under the law to provide and ensure the safe use of buildings, plant, equipment and systems of work, and the need to ensure that all employees take all reasonable precautions to implement the policy and to avoid injury.

Employee information

The Group has a policy of informing employees about the Group's activities and strategy. A monthly review is jointly prepared by the Chief Executive and Senior Managers who then brief the staff. All employees are free to comment at these briefings and suggest ideas which are later developed or rejected according to merit or feasibility. This policy is designed to provide a communication channel between the directors and staff, thereby enhancing awareness of the Group's performance and profitability.

The Group has a Share Incentive Plan under which employees are granted shares in the company and employees thereby receive a share in the profit through the dividend declared and paid by the company and an awareness of its progress through the annual financial report. There are 66 members of this scheme.

Pension scheme

All UK Group employees are eligible to become members of a defined contribution scheme in which contributions are invested in separate funds, which provide individual benefits to members.

The Group historically provided contributory defined benefit pension schemes administered by the Trustees. It provided defined benefits for certain employees of the Group who qualified by age and service for membership however these schemes were closed to future accrual during 2014.

Directors' report (continued)

Disabled Persons

It is the Group's policy to give full consideration to suitable applications for employment by disabled persons. Disabled employees are eligible to participate in all career development opportunities available to staff. Opportunities also exist for employees of the Group who become disabled to continue in their employment or to be trained for other positions in the Group's employment.

Charitable and political contributions

During the period the Group made various charitable contributions totalling £11,675 (2018 £12,520). There were no political donations.

Customers and suppliers

The Group takes its relationships with both customers and suppliers very seriously. For customers we continually seek and monitor feedback and make improvements and changes as identified. For our pub partner business we partake in third party annual surveys and industry benchmarking to establish how we are performing against our competitor set and also how we can improve the experience for our partners.

For suppliers we endeavour to meet all contractual terms and are compliant with the national Payment Practice Reporting. Our policies and procedures regarding the slavery act are communicated on our corporate website and we have procedures in place to ensure our suppliers have appropriate policies too.

Property and land values

In the opinion of the directors, the market value of the properties exceeds the amount included in the balance sheet. All properties form an integral part of the company's business.

Going Concern

The Group's business activities, together with the factors likely to affect its future development and position, are set out within this Directors' report. The Group is expected to continue to generate positive cash flows for the foreseeable future.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company will be able to operate within the level of its current facilities. The directors have considered the current economic uncertainties facing the wider economic community and have reflected such uncertainties within the future forecasts.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Group's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as the company's auditor will be put to the forthcoming Annual General Meeting.

By order of the Board

A R Fryer
Finance Director
19 *December 2019*

Directors Responsibilities Statement
to the members of Charles Wells Limited

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the company and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors' report

to the members of Charles Wells Limited

Opinion

We have audited the financial statements of Charles Wells Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 29 September 2019 which comprise the primary statements such as the group Profit and Loss Account, the group and parent company Balance Sheet, group Statement of cash flows, the group and parent Statement of comprehensive income, the group and parent Statement of changes in equity and the related notes 1 to 31, 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the group's and of the parent company's affairs as at 29 September 2019 and of the group's 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 below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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 group's or the parent 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.

Independent auditors' report (continued)
to the members of Charles Wells Limited

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and 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 group and the parent 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 parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Independent auditors' report
to the members of Charles Wells Limited

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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.

Use of our report

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

Chris Nobbs (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Luton

19 December 2019

Group profit and loss account

for the year ended 29 September 2019

	Notes	2019 £000	2018 £000
Turnover	2	53,243	43,013
Operating costs	3	(47,962)	(37,995)
Group operating profit before exceptional costs		5,281	5,018
Exceptional costs	7	(1,315)	(519)
Group operating profit		3,966	4,499
Profit on property disposals		90	1,087
Group profit before financing		4,056	5,586
Interest receivable	8	18	19
Interest payable	9	(724)	(747)
(Loss) / profit on derivatives	29	(1,790)	519
Finance costs on pension liability	24	(666)	(826)
Group profit before tax		894	4,551
Tax credit / (charge) for the year	10	520	(1,107)
Group profit after tax		1,414	3,444

Group profit after tax is attributable to:

Charles Wells Limited	1,481	3,444
Non-controlling interest	(67)	-
Group profit after tax	1,414	3,444

Statement of other comprehensive income

for the year ended 29 September 2019

Group	*Notes*	*2019* *£000*	*2018* *£000*
Profit for the financial period		1,414	3,444
Gain recognised on defined benefit pension	24	10,302	6,903
Deferred taxation on defined benefit pension		(1,751)	(1,173)
Foreign exchange difference on retranslation of net assets of subsidiary undertakings		(350)	8
Total comprehensive profit for the financial year		9,615	9,182

Group comprehensive profit is attributable to:

Charles Wells Limited	9,682	9,182
Non-controlling interest	(67)	-
Total comprehensive profit for the financial year	9,615	9,182

Company	*Notes*	*2019* *£000*	*2018* *£000*
Profit for the financial period		316	190
Gain recognised on defined benefit pension	24	10,302	6,903
Deferred taxation on defined benefit pension		(1,751)	(1,173)
Total comprehensive profit for the financial year		8,867	5,920

Group balance sheet

at 29 September 2019

	Notes	2019 £000	2018 £000
Fixed assets			
Intangible assets	13	9,058	6,288
Tangible assets	14	121,630	108,691
		130,688	114,979
Current assets			
Stocks	16	398	205
Debtors: amounts falling due within one year	17	3,466	2,982
Debtors: amounts falling due after more than one year	17	16,317	17,012
Investments	18	4	4
Cash at bank and in hand	27	3,863	6,068
		24,048	26,271
Creditors: amounts falling due within one year	19	(15,147)	(17,977)
Net current assets		8,901	8,294
Total assets less current liabilities		139,589	123,273
Creditors: amounts falling due after more than one year	20	(38,267)	(19,984)
Provisions for liabilities	21	(4,143)	(3,064)
Net assets excluding pension liability		97,179	100,225
Pension liability	24	(14,713)	(24,979)
Net assets		82,466	75,246
Capital and reserves			
Called up share capital	22	369	369
Share premium account		433	433
Reserve for own shares		(767)	(681)
Capital redemption reserve		1,140	1,140
Revaluation reserve		15,514	15,596
Profit and loss account		65,888	58,389
Non controlling interest		(111)	-
		82,466	75,246

Approved by the Board

P R Wells
Chairman
19 December 2019

A R Fryer
Finance Director
19 December 2019

Company balance sheet
at 29 September 2019

	Notes	2019 £000	2018 £000
Fixed assets			
Tangible assets	14	115,661	104,703
Investments	15	20,528	19,213
		136,189	123,916
Current assets			
Stocks	16	103	42
Debtors: amounts falling due within one year	17	7,782	12,614
Debtors: amounts falling due after more than one year	17	16,317	17,012
Investments	18	4	4
Cash at bank and in hand		1,500	4,757
		25,706	34,429
Creditors: amounts falling due within one year	19	(10,556)	(23,385)
Net current assets		15,150	11,044
Total assets less current liabilities		151,339	134,960
Creditors: amounts falling due after more than one year	20	(52,674)	(33,624)
Provisions for liabilities	21	(4,143)	(3,064)
Net assets excluding pension liability		95,522	98,272
Pension liability	24	(14,713)	(24,979)
Net assets		79,809	73,293
Capital and reserves			
Called up share capital	22	369	369
Share premium account		433	433
Reserve for own shares		(767)	(681)
Capital reserve		192	192
Capital redemption reserve		1,140	1,140
Revaluation reserve		15,514	15,596
Profit and loss account		62,928	56,244
		79,809	73,293

Approved by the Board

P R Wells
Chairman
19 *December 2019*

A R Fryer
Finance Director
19 *December 2019*

Group statement of changes in equity

at 29 September 2019

	Share Capital £000	*Share Premium Account £000*	*Revaluation Reserve £000*	*Reserve for own Shares £000*	*Capital Redemption Reserve £000*	*Profit And loss Account £000*	*Non Controlling Interest £,000*	*Total Shareholder Funds £000*
30 September 2017	369	433	16,425	(636)	1,140	50,451	-	68,182
Profit for the period	-	-	-	-	-	3,444	-	3,444
Dividends paid	-	-	-	-	-	(2,251)	-	(2,251)
Waived SIP dividend	-	-	-	-	-	168	-	168
Vesting of share incentive plan options	-	-	-	(45)	-	10	-	(35)
FX on retranslation of subsidiaries	-	-	-	-	-	8	-	8
Realised gain and depreciation on revalued assets net of related taxes	-	-	(829)	-	-	829	-	-
Remeasurement of defined benefit pension net of related taxes	-	-	-	-	-	5,730	-	5,730
29 September 2018	369	433	15,596	(681)	1,140	58,389	-	75,246
Profit/(loss) for the period	-	-	-	-	-	1,481	(67)	1,414
Dividends paid	-	-	-	-	-	(2,340)	-	(2,340)
Waived SIP dividend	-	-	-	-	-	46	-	46
Vesting of share incentive plan options	-	-	-	(86)	-	29	-	(57)
FX on retranslation	-	-	-	-	-	(350)	-	(350)
Realised gain and depreciation on revalued assets net of related taxes	-	-	(82)	-	-	82	-	-
Remeasurement of defined benefit pension net of related taxes	-	-	-	-	-	8,551	-	8,551
Non controlling interest on acquisition of subsidiary	-	-	-	-	-	-	(44)	(44)
29 September 2019	369	433	15,514	(767)	1,140	65,888	(111)	82,466

Reserves

Share premium account

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Revaluation reserve

This reserve records the increase in value on the company's property as a result of the first time adoption of FRS102.

Reserve for own shares

This reserve records the cost of Company shares purchased and held by the Group's Share Incentive Plan.

Capital redemption reserve

This reserve records the nominal value of shares repurchased by the company.

Non controlling interest

This reserve relates to the 50% investment in Frontline Inns Limited.

Company statement of changes in equity

at 29 September 2019

	Share Capital £000	*Share Premium Account £000*	*Revaluation Reserve £000*	*Reserve for own Shares £000*	*Capital Reserve £000*	*Capital Redemption Reserve £000*	*Profit And loss Account £000*	*Total Shareholders Funds £000*
30 September 2017	369	433	16,425	(636)	192	1,140	51,568	69,491
Profit for the period	-	-	-	-	-	-	190	190
Dividends paid	-	-	-	-	-	-	(2,251)	(2,251)
Waived SIP dividend	-	-	-	-	-	-	168	168
Vesting of share incentive plan options	-	-	-	(45)	-	-	10	(35)
Realised gain and depreciation on revalued assets net of related taxes	-	-	(829)	-	-	-	829	-
Remeasurement of defined benefit pension net of related taxes	-	-	-	-	-	-	5,730	5,730
29 September 2018	369	433	15,596	(681)	192	1,140	56,244	73,293
Profit for the period	-	-	-	-	-	-	316	316
Dividends paid	-	-	-	-	-	-	(2,340)	(2,340)
Waived SIP dividend	-	-	-	-	-	-	46	46
Vesting of share incentive plan options	-	-	-	(86)	-	-	29	(57)
Realised gain and depreciation on revalued assets net of related taxes	-	-	(82)	-	-	-	82	-
Remeasurement of defined benefit pension net of related taxes	-	-	-	-	-	-	8,551	8,551
29 September 2019	369	433	15,514	(767)	192	1,140	62,928	79,809

Reserves

Share premium account

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Revaluation reserve

This reserve records the increase in value on the company's property as a result of the first time adoption of FRS102.

Reserve for own shares

This reserve records the cost of Company shares purchased and held by the Group's Share Incentive Plan.

Capital reserve

This reserve records the value of certain assets transferred to subsidiary companies. Following the disposal of the intangible assets to Marston's PLC the capital reserve relating to these intangible brands has been released.

Capital redemption reserve

This reserve records the nominal value of shares repurchased by the company.

Group statement of cash flows

for the year ended 29 September 2019

	Notes	2019 £000	2018 £000
Net cash inflow from operating activities	27	3,133	9,420
Cash from operations			
Taxation repaid / (paid)		31	(118)
Interest received		18	19
Interest paid on bank and other loans		(719)	(747)
Preference dividend paid		(5)	(5)
Net cash flows from operating activities		(675)	(851)
Cash flows from investing activities			
Payments to acquire tangible fixed assets		(16,874)	(9,921)
Payments to acquire intangible fixed assets		(1,610)	(2,251)
Receipts from sale of tangible fixed assets		231	2,967
Purchase of subsidiary undertaking		(1,665)	-
Cash acquired with subsidiary undertaking		167	-
Net cash flows from investing activities		(19,751)	(9,205)
Cash flows from financing activities			
New bank loans		16,584	-
Repayment of long terms loans		-	(7,576)
Repayment of 4.25% Bond		(410)	(636)
Issue of 3.00% Bond (2018: 3.50%)		293	441
Equity dividends paid		(1,379)	(2,251)
Net cash flows from financing activities		15,088	(10,022)
Net (decrease) in cash and cash equivalents		(2,205)	(10,658)
Cash and cash equivalents at beginning of year		6,068	16,726
Net (decrease) in cash and cash equivalents		(2,205)	(10,658)
Cash and cash equivalents at end of year		3,863	6,068

Notes to the financial statements

at 29 September 2019

1. Accounting policies

Statement of compliance

Charles Wells Limited is a limited company incorporated in England. The Registered Office is Eagle Brewery, Havelock Street, Bedford, MK40 4LU. The financial statements are prepared in accordance with Financial Reporting Standard 102 as it applies to the financial statements of the Group for the year ended 29 September 2019.

Basis of preparation

The financial statements of Charles Wells Limited were approved for issue by the Board of Directors on 11 December 2019. The financial statements have been prepared in accordance with applicable accounting standards.

The functional currency of Charles Wells Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Group operates. The consolidated financial statements of the Charles Wells Limited group are presented in pounds sterling and rounded to the nearest thousand pounds (£000).

It is the opinion of the directors, the Group remains able to meet its liabilities as they fall due and it is appropriate to prepare the financial statements on a going concern basis due to the ongoing support of the bank as the Group continues to operate within its facility.

Basis of consolidation

The consolidated financial statements incorporate the audited financial statements of the company and the financial statements of each of its subsidiary undertakings made up to 29 September 2019.

Entities in which the Group has a participating interest and over whose operating and financial policies the Group exercises a significant influence are treated as associates. In the Group financial statements, associates are accounted for using the equity method. In the parent company financial statements, investments in subsidiaries and associates are accounted for at the lower of cost and net realisable value.

Accounting reference date

The accounting reference date of Group companies is 30 September and financial statements are drawn up to a Sunday within seven days of that date, which for 2019 is the year to 29 September 2019.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Defined benefit pension scheme

The cost of the Group's defined benefit pension plan is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables.

Notes to the financial statements (continued)

at 29 September 2019

1. Accounting policies (continued)

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

Defined benefit pension scheme (continued)
Future pension increases are based on expected future inflation rates. Further details on the assumptions are given in note 24.

The valuation used has been based on the most recent actuarial valuation at 30 November 2016 and was updated by KPMG to take account of the requirements of FRS102 in order to assess the liabilities of the scheme at 29 September 2019. Scheme assets are stated at their market values at the respective balance sheet dates and overall expected rates of return are established by applying published brokers' forecasts to each category of scheme assets.

The updated valuation provided by KPMG is based on the single merged scheme. For accounting periods in between each triennial valuation the allocation is done using estimates which management consider to be materially accurate and are based on a combination of the historical split of assets and liabilities and the member numbers.

Revaluation of property
FRS 102 permits a one-off opportunity to revalue tangible assets and use this revaluation to reset historical cost subject to annual depreciation and future annual impairment review. Section 35 paragraph 10(c)&(d) states that the revaluation can be performed on an item by item basis and therefore it is not required to be performed at a category level.

Charles Wells Limited have applied the revaluation to all freehold and leasehold licensed sites acquired pre 1970. The group engaged an independent valuation specialist to determine the fair value as at the transition date of 28 September 2014. The valuer used a valuation technique based on a discounted cash flow model with an appropriate multiplier according to the nature and geographical location of the site. The determined fair value of the licensed property is sensitive to fluctuations in trading performance.

Notes to the financial statements (continued)

at 29 September 2019

1. Accounting policies (continued)

Intangible Licenses

The licences relate to the rights to lease a property, such amounts arise upon the acquisition of pubs in France. These amounts are capitalised at cost on acquisition. Licences were deemed to have an indefinite life under old UK GAAP and were not amortised. On transition to FRS 102, these licences were given a useful economic life of fifty years and are being amortised on a straight line basis over their assigned useful economic life. The carrying value of licences is reviewed for impairment in line with section 27 which states impairment tests are carried out at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Taxation

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

Goodwill

Positive goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

If a subsidiary, associate or business is subsequently sold or closed, any goodwill arising on acquisition that was written off directly to reserves or that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure.

Goodwill is amortised on a straight line basis over its estimated useful lives up to a maximum of twenty years.

Tangible fixed assets and depreciation

All fixed assets are recorded at cost. The properties, plant, vehicles and fixtures are depreciated over their estimated useful lives after taking account of estimated residual values.

Depreciation is charged as follows:

Freehold land	-	not depreciated
Freehold houses	-	2% straight line
Leasehold property	-	remaining period of lease
Plant and vehicles	-	5% to 33$^{1}/_{3}$% straight line
Fixtures at public houses	-	10% straight line
Technical services installation	-	33$^{1}/_{3}$% straight line

Assets in course of construction are not depreciated until they are brought into use.

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable. Impairment reviews are performed in accordance with Section 27 'Impairments of Assets' with the carrying values of assets being compared to their recoverable amounts. The recoverable amounts are determined using either their value in use or market value. Value in use is determined using discounted cash flow projections using the Group specific discount rate. Market value is calculated in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors, if an external valuation, or upon a Directors' valuation if an internal valuation.

Where technical services installations are held at pub sites and cannot be readily separately identified, the net book value of such items is fully written down.

Notes to the financial statements (continued)

at 29 September 2019

1. Accounting policies (continued)

Revenue recognition

Revenue is recognised to the extent that the group obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and VAT. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on despatch of the goods, or on provision of services. Rebates to customers are recognised as a deduction from revenue when contractually earned.

Rental income from pub partners

Revenue in respect of income received from the pub estate properties is recognised in the period in which it arises subject to any applicable lease incentives which are then recognised over the term of the lease on a straight line basis.

Stocks

Stock in trade is valued at the lower of cost and net realisable value. Cost comprises purchase or direct production costs including the appropriate manufacturing overheads and excise duties.

Net realisable value is based on estimated selling price less any further costs expected to be incurred in completion and disposal.

Provisions for liabilities

A provision is recognised when the group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Deferred taxation

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that:

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- where there are differences between amounts that can be deducted for tax for assets (other than goodwill) and liabilities compared with the amounts that are recognised for those assets and liabilities in a business combination a deferred tax liability/(asset) shall be recognised. The amount attributed to goodwill is adjusted by the amount of the deferred tax recognised; and
- unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the financial statements (continued)

at 29 September 2019

1. **Accounting policies** (continued)

Foreign currencies

Group and Company

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. All monetary liabilities and assets are translated at year end exchange rates and the resulting exchange differences are dealt with in the determination of profit for the financial year.

Group

The financial statements of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange differences arising on the translation of opening net assets are taken directly to reserves.

Derivative Financial Instruments

The group uses forward foreign currency contracts to reduce exposure to foreign exchange rates and interest rate swaps to adjust interest rate exposures.

Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of the forward currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles. The fair value of interest rate swap contracts are determined by calculating the present value of the estimated future cash flows based on observable yield curves.

The company does not undertake any hedge accounting transactions.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Loan notes

Loan notes which are basic financial instruments are initially recorded at the present value of future payments discounted at a market rate of interest for a similar loan. Subsequently, they are measured at amortised cost using the effective interest method. Loan notes that are receivable within one year are not discounted.

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings which are basic financial instruments are initially recognised at the present value of cash payable to the bank (including interest). After initial recognition they are measured at amortised cost using the effective interest rate method, less impairment. The effective interest rate amortisation is included in finance revenue in the income statement.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Leases

Operating lease payments are charged to the profit and loss account on a straight line basis.

Repairs

Repairs, including those to freehold houses, are charged against profit as they are incurred.

Notes to the financial statements (continued)

at 29 September 2019

1. **Accounting policies** (continued)

Pension scheme arrangements

Defined contribution scheme
The Group operates a defined contribution pension scheme. The assets of the company's pension schemes are held separately from those of the company. Payments made to the schemes in accordance with the scheme rules are charged against the profits of the period in which they fall due.

Defined benefit scheme
The funds of the defined benefit schemes are valued triennially by an independent actuary. Pension scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Pension scheme assets are measured using market values at the balance sheet date.

Pension scheme assets are recognised in full on the balance sheet to the extent they are recoverable from future service. The deferred tax relating to a defined benefit surplus/deficit is offset against the defined benefit liability and not included with other deferred tax assets or liabilities. Increases in the present value of the scheme liabilities expected to arise from employee service in the period are charged to operating profit. The expected return on scheme assets less the increase in the present value of scheme liabilities arising from the passage of time are included in other interest and shown adjacent to interest payable. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Share-based payments
The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments granted at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by an external valuer using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions) and non vesting conditions. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non vesting condition, which are treated as vesting irrespective of whether or not the market or non vesting condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the profit and loss account for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value expensed in the profit and loss account.

Notes to the financial statements (continued)

at 29 September 2019

1. Accounting policies (continued)

Classification of shares as debt or equity
When shares are issued, any component that represents a financial liability to the Group is presented as a liability on the balance sheet. The corresponding dividends relating to the liability component are charged as interest expense in the profit and loss account.

Treasury
Treasury shares held by the Group are classified in capital and reserves, as 'reserve for own shares' and recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost taken to revenue reserves except, where the proceeds exceed the consideration paid, the excess is transferred to the share premium account. No gain or loss recognised on the purchase, sales issue or cancellation of equity shares.

2. Turnover

Turnover consists of revenue from the sale of goods, consisting of beer, wine, spirits, minerals, waters & cordials; as well as revenue received from pub partners. Revenue is recognised net of VAT and rebates and after elimination of inter-company transactions it all relates to the main activity of the Group.

Turnover is analysed below:

	2019	*2018*
	£000	*£000*
Net sales of goods:		
United Kingdom	34,436	25,148
Other	12,440	11,105
	46,876	36,253
Revenue received from UK pub partners	6,367	6,760
	53,243	43,013

Notes to the financial statements (continued)

at 29 September 2019

3. Operating costs

		2019 £000	2018 £000
Cost of sales		20,355	15,597
Staff costs	- wages and salaries	12,199	8,496
	- social security costs	1,598	1,358
	- other post-retirement benefits	252	213
		34,404	25,664
Administrative expenses			
Depreciation *		4,380	4,029
Amortisation		88	215
Auditors' remuneration	- audit services	90	70
	- non-audit services	61	68
Fees to other auditors	- audit of subsidiaries	14	14
Operating lease rentals - Other		74	235
Operating lease rentals - Land and Buildings		600	600
Other operating costs		8,251	7,100
		13,558	12,331
Total operating costs		47,962	37,995

Included in wages and salaries is a total share based payment charge of £35,639 (2018 £55,354) which arises from transactions accounted for as equity-settled share based payment transactions. There are £252,000 (2018 £212,165 included in respect of defined contribution schemes.

* The charge for the period excludes the exceptional impairment charge of £nil (2018 = £511,000)

4. Auditors' remuneration

The remuneration of the auditors is further analysed as follows:

		2019 £000	2018 £000
Audit of the financial statements†		*90*	75
Other fees to auditors			
	- audit of the group pension schemes	16	14
	- taxation services	45	43
	- other services	-	9
		151	141
Fees to other auditors:			
	- audit of subsidiaries	14	15
		165	156

† £75,000 (2018: £55,000) of this relates to the company audit.

Notes to the financial statements (continued)

at 29 September 2019

5. Directors' emoluments

	2019	*2018*
	£000	*£000*
Emoluments - fees	106	77
- for executive services	777	894
Company contributions paid to defined contribution pension scheme	56	56
Compensation for loss of office	366	-
	1,305	1,027

	2019	*2018*
	No.	*No.*
Number of directors who received shares in respect of qualifying services	*4*	4
Number of directors receiving company contributions to defined contribution schemes during the period	2	2

The total emoluments of the highest paid director was £643,000 (2018 £308,000). The director received no company contributions to pension schemes during the period.

During the year the director was awarded shares under the Group's Share Incentive Plan.

No directors are accruing benefits under defined benefit contribution schemes. Two of the directors are deferred members of the defined benefit pension scheme.

6. Staff numbers

The average monthly number of persons employed by the Group, excluding directors and including part-time employees, during the year was as follows:

	2019	*2018*
	No.	*No.*
Administration and management	100	100
Managed pub teams	516	265
	616	365

Notes to the financial statements (continued)

at 29 September 2019

7. Exceptional items

	2019	*2018*
	£000	*£000*
Reorganisation project	416	8
Impairment of fixed assets	-	511
Pension past service cost	899	-
Recognised in arriving at profit before tax	1,315	519

Reorganisation costs

In 2019, reorganisation costs were incurred as result of a senior management restructuring exercise.
The 2018 costs are the result of the conclusion of the prior year brewery sale to Marstons.

Impairment of fixed assets

In 2018 an annual impairment review of the UK pub estate has identified an impairment of £231,000 across two sites. The annual impairment review of the France pub estate has also identified an impairment of £280,000 on a non pub site which we no longer operate.

Pension past service cost

In 2019, exceptional costs were incurred due to the required GMP equalisation within the defined benefit pension scheme. This had been disclosed as a post balance sheet event within the 2018 financial statements.

Notes to the financial statements (continued)

at 29 September 2019

8. Interest receivable

	2019	*2018*
	£000	*£000*
Partnership finance charge	18	19

9. Interest payable

	2019	*2018*
	£000	*£000*
Bank loans and overdrafts	528	528
Shareholder bond	154	172
Preference share dividends	5	5
Other interest	37	42
	724	747

10. Tax on profit on ordinary activities

a) The taxation (credit) / charge is made up as follows:

	2019	*2018*
	£000	*£000*
Foreign tax	202	87
Deferred tax origination and reversal of timing differences	(271)	1,005
Deferred tax adjustment to previous years	(478)	121
Deferred tax rate change	27	(106)
Deferred tax	(722)	1,020
Tax (credit) / charge for the year	(520)	1,107

b) Factors affecting the total tax (credit) / charge:

	2019	*218*
	£000	*£000*
Profit on ordinary activities before tax	894	4,551
Profit before tax multiplied by standard rate of tax of 19% (2018: 19%)	170	865
Permanent differences	112	(218)
Gains/rollover relief	7	358
Adjustments in respect to prior year	(478)	121
Deferred tax not provided	(17)	79
Rate change adjustment on prior year balance	27	(106)
Losses	(420)	-
Effects of overseas tax rates	79	8
Total tax (credit)/ charge for the year	(520)	1,107

Notes to the financial statements (continued)

at 29 September 2019

10. Tax on profit on ordinary activities (continued)

c) Factors that may affect future tax charges:

The Finance Bill 2016 was substantively enacted on 6 September 2016 meaning a reduction in the rate of corporation tax to 17% effective from 1 April 2020. Deferred tax has been provided at 17% as we do not expect the timing differences to be reversed in the near future.

d) Provision for deferred tax

	2019	*2018*
	£000	*£000*
Deferred tax liability at start of period	(2,314)	(120)
Charge to profit and loss account	243	(899)
Deferred tax charged to statement of comprehensive income	(1,751)	(1,174)
Adjustments in respect of prior year	478	(121)
Deferred tax liability at end of period	(3,344)	(2,314)
Deferred taxation comprises:		
Accelerated capital allowances	705	329
Defined benefit pension liability	2,501	4,247
Pension contribution	(2,774)	(2,891)
Financial derivatives	1,115	1,300
Capital losses	929	558
Property revaluations	(3,178)	(3,194)
Rollover gains	(2,729)	(2,691)
Provisions deemed general for tax purposes	13	28
Trade losses	74	-
Deferred tax liability at end of period	(3,344)	(2,314)

11. Profit on ordinary activities after taxation

In accordance with the exemptions allowed by Section 408 (4) of the Companies Act 2006 the company has not presented its own profit and loss account. Included in the consolidated profit for the financial year is a profit on ordinary activities after tax of £316,000 (2018 profit £190,000) in respect of the financial statements of the company.

Notes to the financial statements (continued)

at 29 September 2019

12. Dividends paid and proposed

	2019	*2018*
	£000	*£000*
Declared and paid during the year:		
Final dividend for 2018: £3.90 (2017 = £3.75)	1,437	1,385
Interim dividend for 2019: £2.45 (2018 = £2.35)	903	866
	2,340	2,251
Proposed for approval at AGM:		
Final dividend for 2019: £4.05 (2018 = £3.90)	1,492	1,437

Subject to approval by shareholders at the AGM. The proposed dividend will be paid on 2 April 2020 and will be accounted for as an appropriation of retained earnings in the forthcoming year.

13. Intangible fixed assets

Group	*Goodwill*	*Licences*	*Total*
	£000	*£000*	*£000*
Cost:			
At 29 September 2018	1,153	6,912	8,065
Exchange Difference	-	1	1
Addition (note 31)	1,359	1,566	2,925
At 29 September 2019	2,512	8,479	10,991
Amortisation:			
At 29 September 2018	1,152	625	1,777
Charge for year	68	88	156
Exchange differences	-	-	-
At 29 September 2019	1,220	713	1,933
Net book value:			
At 29 September 2019	1,292	7,766	9,058
At 29 September 2018	1	6,287	6,288

Goodwill, unless fully written down, is amortised over an estimated useful economic life of 20 years.

Included within licenses are amounts relating to the right to leasehold property acquired upon acquisition of managed pubs in France, which are capitalised at cost. On transition to FRS 102 a useful economic life was assigned to the licences of 50 years and amortisation is charged on a straight line basis over this period.

Notes to the financial statements (continued)

at 29 September 2019

14. Tangible fixed assets

Group

	Freehold land and buildings	*Leasehold property*	*Assets in the course of construction*	*Plant, equipment and motor vehicles*	*Containers, cases and fixtures*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
At *29 September 2018*	96,171	9,185	1,854	4,889	35,073	147,172
Exchange differences	-	1	-	-	-	1
Reclassification	202	(205)	-	(2,311)	2,314	-
Acquisition of subsidiary	-	73	-	934	-	1,007
Additions	5,709	2,236	4,318	2,016	4,449	18,728
Transfers	-	-	(1,854)	-	-	(1,854)
Disposals	(112)	(695)	-	(718)	(386)	(1,911)
At 29 September 2019	101,970	10,595	4,318	4,810	41,450	163,143
Depreciation:						
At *29 September 2018*	6,188	3,735	-	3,351	25,207	38,481
Exchange differences	-	1	-	-	-	1
Reclassification	(292)	624	-	(2,023)	1,691	-
Acquisition of subsidiary	-	35	-	386	-	421
Charge for the year	568	684	-	413	2,715	4,380
Release on disposals	(5)	(695)	-	(719)	(351)	(1770)
At 29 September 2019	6,459	4,384	-	1,408	29,262	41,513
Net book value:						
At 29 September 2019	95,511	6,211	4,318	3,402	12,188	121,630
At *29 September 2018*	89,983	5,450	1,854	1,538	9,866	108,691

Notes to the financial statements (continued)

at 29 September 2019

14. Tangible fixed assets (continued)

Company

	Freehold land and buildings £000	Leasehold property £000	Assets in the course of construction £000	Plant, equipment and motor vehicles £000	Containers, cases and fixtures £000	Total £000
Cost:						
At *29 September 2018*	95,494	3,997	1,761	2,686	35,072	139,010
Reclassification	202	(205)	-	(2,311)	2,314	-
Additions	5,284	949	4,318	1,345	4,450	16,346
Transfers	-	-	(1,761)	-	-	(1,761)
Disposals	(112)	-	-	-	(386)	(498)
At 29 September 2019	100,868	4,741	4,318	1,720	41,450	153,097
Depreciation:						
At *29 September 2018*	5,995	783	-	2,322	25,207	34,307
Reclassification	(292)	624	-	(2,023)	1,691	-
Charge for the year	553	95	-	122	2,714	3,484
Release on disposals	(5)	-	-	-	(350)	(355)
At 29 September 2019	6,251	1,502	-	421	29,262	37,436
Net book value:						
At 29 September 2019	94,617	3,239	4,318	1,299	12,188	115,661
At *29 September 2018*	89,499	3,214	1,761	364	9,865	104,703

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Leasehold property comprises				
Short leasehold	2,920	2,236	-	-
Long leasehold	3,294	3,214	3,239	3,214
	6,214	5,450	3,239	3,214

Notes to the financial statements (continued)
at 29 September 2019

15. Fixed asset investments

Company

	Subsidiary Undertakings £000	*Partnership Capital * £000*	*Total Investments £000*
Cost:			
At 29 September 2018	60,446	11,156	71,602
Acquisitions (note 31)	1,315	-	1,315
At 29 September 2019	61,761	11,156	72,917
Provisions for impairment:			
At 29 September 2018	*52,389*	-	*52,389*
Charge for the year	-	-	-
At 29 September 2019	52,389	-	52,389
Net book value:			
At 29 September 2019	9,372	11,156	20,528
At 29 September 2018	8,057	11,156	19,213

The principal subsidiary undertakings at 29 September 2019 were:

Company	*Country of registration and operation*	*Nature of business*	*Proportion of equity held*
Directly held subsidiary undertakings			
Charles Wells Brewery Limited ^	England & Wales	Brewing	100%
Charles Wells France S.A.R.L 8 Rue Reyer 31200 Toulouse	France	Public house and restaurant management	100%
Apostrophe Pubs Limited ^	England & Wales	Public house and restaurant management	100%
Frontline Inns Limited ^	England & Wales	Public house and restaurant management	50%
Charles Wells Pension Trustees Limited ^	England & Wales	Pension Trustee	100%
Matross Limited Citypoint, 65 Haymarket Terrace, Edinburgh	Scotland	Administrative Services	100%
Havelock Wines Limited ^	England & Wales	Non-trading	100%
The Old Falcon Hotel (St. Neots) Limited^	England & Wales	Non-trading	100%
Stevenson (Beer & Wines) Limited ^	England & Wales	Non-trading	100%
Bedford Brewing Company Limited ^	England & Wales	Non-trading	100%
Charles Wells Pension Trustees Limited ^	England & Wales	Non-trading	100%
Partnership			
Gunner SLP * Citypoint, 65 Haymarket Terrace, Edinburgh	Scotland	Management of long term investment	Limited Partner

Notes to the financial statements (continued)

at 29 September 2019

15. Fixed asset investments (continued)

Company	*Country of registration and operation*	*Nature of business*	*Proportion of equity held*
Indirectly held subsidiary undertakings *(held by Charles Wells Brewery Limited)*			
Charles Wells Brands Management Limited ^	England & Wales	Brand ownership	100%
Centrum Management Limited ^	England & Wales	Non-trading	100%
Young & Co's Subsidiary Company Limited ^	England & Wales	Non-trading	100%
Indirectly held subsidiary undertakings *(held by Charles Wells France SARL)*			
POCH SARL 8 Rue Reyer 31200 Toulouse	France	Public house operator	100%
Celtic Knights SASU	France	Public house operator	100%

* The Group rely on the exemption in regulation 7 of the Partnerships (Accounts) Regulations 2008 with respect to Gunner LP, a Scottish limited partnership.

^ The address for the England & Wales companies is the Eagle Brewery, Havelock Street, Bedford, MK40 4LU.

16. Stocks

	Group		*Company*	
	2019	*2018*	*2019*	*2018*
	£000	*£000*	*£000*	*£000*
Wet stock	303	168	84	32
Food	95	37	19	10
	398	205	103	42

The difference between the balance sheet value of stocks and their replacement cost is not material.

Notes to the financial statements (continued)

at 29 September 2019

17. Debtors

Amounts falling due within one year as follows:

	Group		Company	
	2019	*2018*	*2019*	*2018*
	£000	*£000*	*£000*	*£000*
Trade debtors	2,456	1,194	1,743	1,179
Amounts owed by group undertakings*	-	-	5,308	10,446
Prepayments and accrued income	710	830	533	862
Other debtors	300	850	198	19
Corporation tax	-	108	-	108
	3,466	2,982	7,782	12,614

Amounts falling due after more than one year are as follows:

	Group		Company	
	2019	*2018*	*2019*	*2018*
	£000	*£000*	*£000*	*£000*
Free trade loans	-	5	-	5
Pension prepayment (note 24)	16,317	17,007	16,317	17,007
	16,317	17,012	16,317	17,012

* Amounts owed by group undertakings are unsecured, interest bearing and repayable on demand. The interest charge is based on the long term bank facility.

18. Investments

	Group and Company	
	2019	*2018*
	£000	*£000*
Unlisted	4	4

Notes to the financial statements (continued)

at 29 September 2019

19. Creditors: amounts falling due within one year

	Group		*Company*	
	2019	*2018*	*2019*	*2018*
	£000	*£000*	*£000*	*£000*
4.25% Bond 2020	778	-	778	-
4.25% Bond 2019	-	1,570	-	1,570
Trade creditors	1,818	3,182	406	2,319
Amounts due to subsidiary undertakings	-	-	-	9,353
Corporation tax	-	77	-	-
Other taxation and social security costs	1,008	1,056	349	217
Other creditors	2,826	1,509	1,675	521
Preferred distribution rights (note 24)	728	651	-	-
Accruals and deferred income	5,928	7,658	5,306	7,131
5% non-cumulative preference shares (classified as a liability)	100	100	100	100
Deposits	1,961	2,174	1,942	2,174
	15,147	17,977	10,556	23,385

Amounts owed to subsidiary undertakings are unsecured, non-interest bearing and repayable on demand.

Non-cumulative preference shares

On 29 September 2019 there were 100,000 5% non-cumulative preference shares in issue (*29 September 2018* £100,000). Each share has a nominal value of £1. The preference shares carry no voting rights, no rights of redemption nor do they entitle holders to any priority on the winding up of the company. Further information is given in note 22.

Notes to the financial statements (continued)

at 29 September 2019

20. Creditors: amounts falling due after more than one year

	Group		*Company*	
	2019	*2018*	*2019*	*2018*
	£000	*£000*	*£000*	*£000*
Bank loan	16,584	-	16,584	-
Free trade loan	4	3	-	-
4.25% Bond 2020	-	778	-	778
3.50% Bond 2021	1,751	1,751	1,751	1,751
3.00% Bond 2022	1,453	-	1,453	-
Interest rate swaps (note 29)	2,886	1,095	2,886	1,095
Preferred distribution rights (note 24)	15,589	16,357	-	-
£30m Loan Note 4.55%	-	-	30,000	30,000
	38,267	19,984	52,674	33,624
Repayable as follows:				
Wholly repayable within five years	19,792	2,532	19,788	2,529
Not wholly repayable within five years	18,475	17,452	32,886	31,095
	38,267	19,984	52,674	33,624

The interest rate for the bank loan facility is based on LIBOR plus applicable margin.

As a result of putting the facility in place, the group incurred arrangement fees and issue costs of £204,000 (2018 £113,000). These issue costs are being amortised over the term of the facility.

During the year the Company issued an Unsecured 3.00% Per Annum 2022 Bond for a total value of £1,453,000. The additional disclosures for the interests of any related parties in the 2022 Bond and the existing 2020 and 2021 Bond's are set out in Note 28.

The preferred distribution rights are issued by Gunner SLP and represent amounts payable to the Group's defined benefit pension scheme as part of the long term deficit reduction plan. The Loan Note issued by the Company is held by Charles Wells Brewery Limited, it is unsecured and has a 20 year term with a coupon rate of 4.55%.

Notes to the financial statements (continued)

at 29 September 2019

21. Provisions for liabilities and charges

Group

	Deferred Tax	*Other*	*Total*
	£000	*£000*	*£000*
Liability as at *29 September 2018*	2,314	750	3,064
Charged in the period to the profit and loss account	(722)	-	(722)
Charged in the period to the other comprehensive income	1,751	-	1,751
Provision arising on acquisition of subsidiary	-	50	50
Liability as at 29 September 2019	3,343	800	4,143

Company

	Deferred Tax	*Other*	*Total*
	£000	*£000*	*£'000*
Liability as at *29 September 2018*	2,314	750	3,064
Charged in the period to the profit and loss account	(722)	-	(722)
Charged in the period to the other comprehensive income	1,751	-	1,751
Provision arising on acquisition of subsidiary	-	50	50
Liability as at 29 September 2019	3,343	800	4,143

Deferred Tax

The above analysis of the deferred tax provision includes the deferred tax liability arising on the pension gain.

Other

Other provisions relate to contractual property costs within the UK estate.

Notes to the financial statements (continued)

at 29 September 2019

22. Share capital

	Authorised		Allotted, called up and fully paid	
	2019	*2018*	*2019*	*2018*
	£000	*£000*	*£000*	*£000*
Non-equity interests:				
Preference shares of £1				
(classified as a liability in the balance sheet)	100	100	100	100
Equity interests:				
Ordinary shares of £1	450	450	369	369
	550	550	469	469

The preference shares are entitled to a fixed 5% (net) non-cumulative dividend and have no rights of redemption, nor do they entitle holders to any priority on winding up of the company. The shares carry no voting rights.

23. Capital commitments

The estimated costs in relation to the new brewery development that have either commenced or are contracted for but are not provided for in the financial statements amounted to £13,169,196 for the Group and £13,169,196 for the Company (2018 £nil and £nil respectively).

Notes to the financial statements (continued)

at 29 September 2019

24. Pensions

Changes to status of pension schemes and long term funding structure

Following the Group's decision to close the three defined benefit pension scheme to future accrual and subsequently merging the three closed schemes into one, the Group also put in place a long term deficit reduction plan which allowed the pension obligations to be met at the same time as allowing continued investment into the operations of the group.

In order to support the 20 year deficit reduction plan, the Group issued a £30m 4.55% 20 year loan note which resides within Gunner SLP, a Scottish Limited Partnership. Three partners being Charles Wells Limited (Limited Partner); Matross Limited (General Partner); and, the merged pension scheme (Trustee Partner). Charles Wells Limited paid a Capital Contribution of £11.2m for its partnership capital in Gunner SLP, as detailed in note 15.

Charles Wells Limited paid pension contributions of £16.3m to the merged pension scheme (shown as a pension prepayment in note 17). The pension scheme paid £16.3m for the preferred distribution rights in Gunner SLP (shown as a pension creditor within note 19 & 20), which affords it an annual distribution of the interest on the loan note. The annual distribution to the pension scheme generates the funds to reduce the current pension deficit over a twenty year period.

Pension valuation and disclosures

The valuation used has been based on the most recent actuarial valuation at 30 November 2016 and was updated by KPMG to take account of the requirements of FRS102 in order to assess the liabilities of the scheme at *29 September 2019*. Scheme assets are stated at their market values at the respective balance sheet dates and overall expected rates of return are established by applying published brokers' forecasts to each category of scheme assets.

The assets and liabilities of the schemes at *29 September 2019* are:

Year ended *29 September 2019*

For both Charles Wells Limited and Group

	2019	*2018*
	£000	*£000*
Equities, Hedge funds	-	37,500
Fixed Interest Bonds & Cash	2,142	1,017
Corporate bonds	13,394	13,556
Credit instruments	73,098	29,335
Liability driven investment	31,233	20,757
Synthetic equity collateral	5,855	-
Fair value of scheme assets	125,722	102,165
Present value of scheme liabilities	(140,435)	(127,144)
Deficit in scheme	(14,713)	(24,979)

Notes to the financial statements (continued)

at 29 September 2019

24. Pensions (continued)

The pension plans have neither invested in any of the Group's own financial instruments, nor in properties or other assets used by the Group.

The investments strategy for the scheme assets is independently managed by the pension trustees and KPMG, our pension advisors. Movements during the year between asset categories reflect the continual monitoring of asset markets and the ongoing strategic aim to deliver and adequate return on investments to meet our needs.

The amount recognised in the Group profit and loss account and in the statement of comprehensive income for the year are analysed as follows:

Year ended *29 September 2019*
For both Charles Wells Limited and Group

	2019	*2018*
	£000	*£000*
Recognised in the profit and loss account		
Net interest cost	(666)	(826)
Past service cost (note 7)	(899)	-
Total recognised in the profit and loss account	(1,565)	(826)

Year ended *29 September 2019*
For both Charles Wells Limited and Group

	2019	*2018*
	£000	*£000*
Recognised in the statement of other comprehensive income		
Gain recognised on defined benefit pension	10,302	6,903
Deferred taxation on defined benefit pension	(1,751)	(1,173)
Total recognised in the statement of other comprehensive income	8,551	5,730

Notes to the financial statements (continued)

at 29 September 2019

24. Pensions (continued)

Changes in the present value of the defined benefit obligations are analysed as follows:

Charles Wells Limited and Group

	Total
	£000
At 30 September 2017	131,995
Interest cost	3,375
Benefits paid	(4,568)
Actuarial gains in respect of experience	204
Actuarial gains in respect of financial assumptions	(2,957)
Actuarial gains in respect of demographic assumptions	(904)
At 29 September 2018	127,145
Interest cost	3,453
Benefits paid	(3,172)
Actuarial gains in respect of experience	148
Actuarial gains in respect of financial assumptions	15,284
Actuarial gains in respect of demographic assumptions	(3,322)
Past service cost	899
At *29 September 2019*	140,435

Changes in the fair value of plan assets are analysed as follows:

	Total
	£000
At 30 September 2017	99,499
Interest income on assets	2,549
Return in excess of interest income	3,246
Employer contributions	1,439
Benefits paid	(4,568)
At 29 September 2018	102,165
Interest income on assets	2,788
Return in excess of interest income	22,413
Employer contributions	1,528
Benefits paid	(3,172)
At *29 September 2019*	125,722

Notes to the financial statements (continued)

at 29 September 2019

24. Pensions (continued)

The principal assumptions used by the actuaries were:

	2019	*2018*
	%	%
Rate of increases in salaries	n/a	n/a
Rate of increase of pensions in payment	2.95	3.10
Discount rate	2.10	2.75
Inflation assumption (RPI)	3.05	3.25
Inflation assumption (CPI)	2.15	2.25
Life expectancy assumptions at age 65:		
Male member – current age 65	20.7yrs	21.2yrs
Male member – current age 45	22.1yrs	22.6yrs
Female member – current age 65	22.6yrs	23.1yrs
Female member – current age 45	24.2yrs	24.7yrs

The total contributions to the Group's defined benefit schemes for the financial year was £1,528,000 (2018 = £1,439,000), in line with the agreed long term deficit reduction plan. Certain other employees are members of defined contribution schemes, which invest contributions in a separate fund for each individual member to provide benefits based on the value of each fund. The defined contribution scheme charge for the year was £252,000 (2018 = £212,165).

Notes to the financial statements (continued)

at 29 September 2019

25. Share based payments

Share incentive plan

The Group operates an employee share scheme (Charles Wells Limited Share Incentive Plan) through which employees are granted shares in Charles Wells Limited. The scheme is open to all employees with eighteen months service. The number of shares awarded to each employee is at the discretion of the directors. Once shares are allocated to employees they are held in a trust for a period of three years, during which time employees who leave the company forfeit their shares.

The fair value of the shares of £125 (2018 £120) is approved annually by HM Revenue & Customs. Their value is calculated using a dividend yield model. A review is undertaken of the dividend yields for similar listed companies and an average is taken. This average yield is then applied to the actuarial dividends of the Charles Wells group. The resulting value is then discounted to reflect that there is no readily available market for the sale of the shares since, Charles Wells is a privately owned company.

The number of shares held by the trust, which are not held by employees, is 7,214 (2018 6,553). The number of shares held by employees, which under the rules of the scheme, would be repurchased by the Group when the employees elect to sell their shares, is 2,319 (2018 2,094).

Consolidation of all shares in issue is made on the basis of retained control by the company. The expense recognised for share-based payments in respect of employee services received during the year to 29 September 2019 is £35,639 (2018 £55,354).

The Charles Wells Limited Share Incentive Plan holds 9,533 (2018 8,647) shares in Charles Wells Limited with a market value at 29 September 2019 of £1,191,625 (2018 £1,037,640).

The shares were acquired by the share scheme at the market value prevailing at the date of purchase. The share schemes are funded by Charles Wells Limited to meet their obligations under the share incentive plan and all shares held by the share scheme are solely for this purpose. The shares held by the share scheme are distributed to employees in accordance with Charles Wells Limited's wishes. All expenses incurred by the share scheme are settled by Charles Wells Limited and charged in the financial statements as incurred.

Notes to the financial statements (continued)

at 29 September 2019

26. Other financial commitments

At 29 September 2019, the future minimum rentals payable by the Group and Company under non-cancellable operating leases are as follows:

Group	2019		2018	
	Land & Buildings	*Other*	*Land & Buildings*	*Other*
	£000	*£000*	*£000*	*£000*
Within one year	1,026	76	600	74
Between two and five years	3,075	150	1,318	77
Over five years	14,901	106	11,370	-
	19,002	332	13,288	151

Company	2019		2018	
	Land & Buildings	*Other*	*Land & Buildings*	*Other*
	£000	*£000*	*£000*	*£000*
Operating leases which expire:				
Within one year	442	66	307	74
Between two and five years	1,583	132	548	77
Over five years	14,226	106	11,248	-
	16,251	304	12,103	151

Notes to the financial statements (continued)

at 29 September 2019

27. Group statement of cash flows

a) Reconciliation of operating profit to net cash inflow from operating activities:

	2019	*2018*
	£000	*£000*
Operating profit	3,966	4,499
Impairment (note 7)	-	511
Depreciation	4,380	4,029
Amortisation of intangible assets	155	216
(Increase) / Decrease in stocks	(117)	(41)
Decrease in debtors	249	8,960
(Decrease) in creditors	(4,833)	(7,280)
Pension contributions paid	(1,528)	(1,439)
Non cash pension movement	899	-
Share based payments	29	(35)
Non controlling interest	(67)	-
	3,133	9,420

b) Cash and cash equivalents

	2019	*2018*
	£000	*£000*
Cash at bank	5,223	6,068
Bank overdrafts	(1,360)	-
	3,863	6,068

	At 30 Sep 2018	*Cash flows*	*At 29 Sep 2019*
	£000	*£000*	*£000*
Cash at bank	6,068	(845)	5,223
Bank overdrafts	-	(1,360)	(1,360)
Cash and cash equivalents	6,068	(2,205)	3,863
Bank loan	-	(16,584)	(16,584)
4.25% Bond 2019	(1,570)	1,570	-
4.25% Bond 2020	(778)	-	(778)
3.50% Bond 2021	(1,751)	-	(1,751)
3.00% Bond 2022	-	(1,453)	(1,453)
	1,969	(18,672)	(16,703)

Notes to the financial statements (continued)

at 29 September 2019

28. Related party transactions

During the financial year the Group entered into transactions, in the ordinary course of business, with other related parties. Transactions in the year, and trading balances outstanding at 29 September are as follows:

	Sales to related party £000	*Purchases from related party £000*	*Amounts owed from related party £000*	*Amounts owed to related party £000*
Oakley Properties Limited				
2019	-	-	-	507
2018	-	-	-	502
Frontline Inns Limited				
2019	420	-	609	-
2018	-	-	-	-
Charles Wells Unsecured 4.25% Shareholder Bond 2019				
2019	-	-	-	-
2018	-	-	-	1,570
Charles Wells Unsecured 4.25% Shareholder Bond 2020				
2019	-	-	-	778
2018	-	-	-	778
Charles Wells Unsecured 3.50% Shareholder Bond 2021				
2019	-	-	-	1,751
2018	-	-	-	1,751
Charles Wells Unsecured 3.00% Shareholder Bond 2022				
2019	-	-	-	1,453
2018	-	-	-	-

Oakley Properties Limited
PR Wells, a director of the company, is also a director and has an interest in the shares of Oakley Properties Limited. Oakley Properties Limited subscribed to the Charles Wells Limited Unsecured Shareholder Bond, amounts are shown below.

Frontline Inns Limited
Frontline Inns Limited is a 50% subsidiary owned by the Company.

Charles Wells Limited Unsecured 4.25% Shareholder Bond 2019
All shareholders had the opportunity to subscribe to the Charles Wells Limited Unsecured 4.25% Shareholder Bond 2019.

Charles Wells Limited Unsecured 4.25% Shareholder Bond 2020
There are no amounts within the total amount of £778,000 (2018 = £778,000) Charles Wells Limited Unsecured 4.25% Shareholder Bond 2020 requiring additional disclosure.

Charles Wells Limited Unsecured 3.50% Shareholder Bond 2021
There are no amounts within the total amount of £1,751,000 (2018 = £1,751,000) Charles Wells Limited Unsecured 3.50% Shareholder Bond 2020 requiring additional disclosure.

Charles Wells Limited Unsecured 3.00% Shareholder Bond 2022
There are no amounts within the total amount of £1,453,000 (2018 = £nil) Charles Wells Limited Unsecured 3.00% Shareholder Bond 2020 requiring additional disclosure.

Notes to the financial statements (continued)

at 29 September 2019

29. Derivatives

	Group		Company	
	2019	*2018*	*2019*	*2018*
	£000	£000	£000	£000
Financial liabilities at fair value through profit and loss:				
Interest rate swaps	2,885	1,095	2,885	1,095

The Company has legacy interest rate swaps to manage interest rate risk volatility and considers forward foreign currency contracts to hedge currency exposure on firm future commitments. No forward foreign currency contracts were held at the period end date.

The fair values of the interest rate swaps held at the balance sheet date are determined by using quoted prices. The nominal amounts of the interest rate swaps at 29 September 2019 were £30,000,000 (2018 £30,000,000).

The group does not undertake any hedge accounting transactions and therefore shows the movement in the fair value of the interest rate swaps through the profit and loss account. The (loss) / profit on the movement of the interest rate swaps during the year for the group was a loss of (£1,790,000) (2018 = profit £519,000).

30. Contingent liabilities

The Group and company have given guarantees to the bankers of certain customers in respect of loans advanced to those customers by their bankers. The total value of these guarantees is £nil (2018 £nil).

Notes to the financial statements (continued)

at 29 September 2019

31. Acquisition of subsidiary

On 2 November 2018, the Company acquired 50% of the issued share capital of Frontline Inns Limited, the principal activities being the operation of managed public houses.

Details of the purchase consideration, net assets acquired and goodwill are as follows:

	2019
	£000
Purchase consideration for 50% of Frontline Inns Ltd *	1,315
Working capital funding to Frontline Inns Ltd	350
Total cash outflow	1,665

The net liabilities recognised as a result of the acquisition are as follows:

	Fair value
	£000
Fixed assets	586
Stock	76
Debtors	144
Cash	167
Creditors	(1,061)
Net liabilities	(88)
Less: non-controlling interests	44
Net liabilities acquired	(44)
Purchase consideration for 50% of Frontline Inns Ltd *	1,315
Goodwill acquired on acquisition of subsidiary	1,359