THE CITY PUB GROUP

ANNUAL REPORT & ACCOUNTS 2017

ABOUT THE GROUP

The City Pub Company (East) PLC ("CPCE") and The City Pub Company (West) PLC ("CPCW") were founded by Clive Watson, David Bruce and John Roberts, who joined the board in December 2011.

On 1 November 2017, The City Pub Group plc (as consolidated "the Group") was formed through the all share merger of CPCE and CPCW by way of a scheme of arrangement of CPCW, as further described in the Group's Admission Document for the IPO that the Group completed in November 2017, when the shares were admitted to trading on AIM. As such the results of the Group are presented as if the Group existed from the start of the comparative period. At the same time, CPCE changed its name to The City Pub Group plc.

The City Pub Group owns and operates an estate of premium pubs across southern England. The Group's pub estate comprises 39 free houses located largely in London, Cathedral cities and market towns, each of which is focused on appealing specifically to its local market. The Group's portfolio consists of predominantly freehold, managed pubs, offering a wide range of high quality drinks and food tailored to each of its pubs' customers.

The City Pub Group leverages its sector contacts and experience to ensure it is well placed to acquire, and to have opportunities to consider the acquisition of, either freehold or leasehold pubs. Following acquisition, it aims to improve profitability through targeted investment in each pub, incentivisation of its key employees, introducing its flexible retail strategy, dedicated marketing and utilising its centralised buying power.

The Directors have considerable experience of acquiring pubs, expanding pub portfolios and creating premium pub companies. This includes leading the Capital Pub Company from start up through to flotation on AIM and its subsequent acquisition by Greene King for £93 million.

The Group continued to acquire, in aggregate, on average 6 pubs per year. In order to fund the acquisitions, the Companies raised, in aggregate, £38.0 million under the Enterprise Investment Scheme and through the issue of convertible preference shares. The Group raised a further £35 million in gross primary proceeds as part of the IPO in November 2017.

CONTENTS

COMPANY HIGHLIGHTS

FINANCIAL

Revenue up 35% to

£37.4m

(2016: £27.8 million)

Adjusted EBITDA* up 51% to

£6.1m

(2016: £4.1 million)

Adjusted profit before tax** up 102% to

£3.2m

(2016: £1.6 million)

Reported (loss)/profit of

(£0.7)m

(2016: £0.4 million)

Total annual dividend up 50% to

2.25p

(2016: 1.50p)

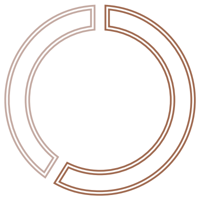
Net debt to EBITDA

0 times

(2016: 3.3 times)

OPERATIONAL

Land ownership



Freehold **59%**
Leasehold **41%**

Number of trading sites

34

As at February 2018

3.8%

Strong performance with like for like sales growth of 3.8%, driven by good growth in drink and accommodation.

City Pubs consistently score well on social media (as at 25 September 2017)

TripAdvisor average rating

4.0

Google+ average rating

4.2

STRATEGY UPDATE

Merged The City Pub Company (East) PLC "CPCE" with The City Pub Company (West) Limited "CPCW" to form the **City Pub Group plc "CPG".**

Floated on AIM in November 2017 raising

£35m of new equity for the Group

8 new pubs opened in 2017

12 new bedrooms added to the estate taking the total number of bedrooms to 44

	2017				2016			
	Revenue £m	**Operating profit**	**EBITDA £m**	**(Loss)/ profit before tax**	Revenue £m	Operating profit	EBITDA	Profit before tax £m
Reported	**37.4**	**0.7**	**2.7**	**(0.2)**	27.8	1.6	3.1	0.6
Share option charge	**–**	**0.2**	**0.2**	**0.2**	–	0.3	0.3	0.3
Exceptional items	**–**	**3.2**	**3.2**	**3.2**	–	0.7	0.7	0.7
Adjusted	**37.4**	**4.1**	**6.1**	**3.2**	27.8	2.6	4.1	1.6

Throughout the Annual Report we use a range of financial and non-financial measures to assess our performance. A number of the financial measures, including Adjusted Profit before tax and Adjusted EBITDA are not defined under IFRS, so they are termed 'Alternative Performance Measures' (APMs). Management use these measures to monitor the Group's financial performance alongside IFRS measures because they help illustrate the underlying performance and position of the Group.

* Adjusted earnings before exceptional items, share option charge, interest, taxation, depreciation and amortisation.

** Adjusted profit before tax is the profit before tax, share option charge and exceptional items.

AT A GLANCE

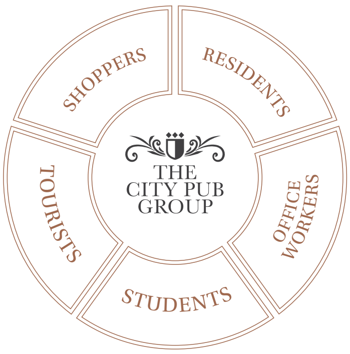
WHAT WE DO

Established in 2011, The City Pub Group is a managed pub business operating in London and the South of England. It has a collection of 34 unbranded free-house pubs currently trading, clustered around affluent Cathedral cities. Its premium, wet-led offer and flexible approach give it broad customer appeal across residents, workers, students, shoppers and tourists.

Product offering

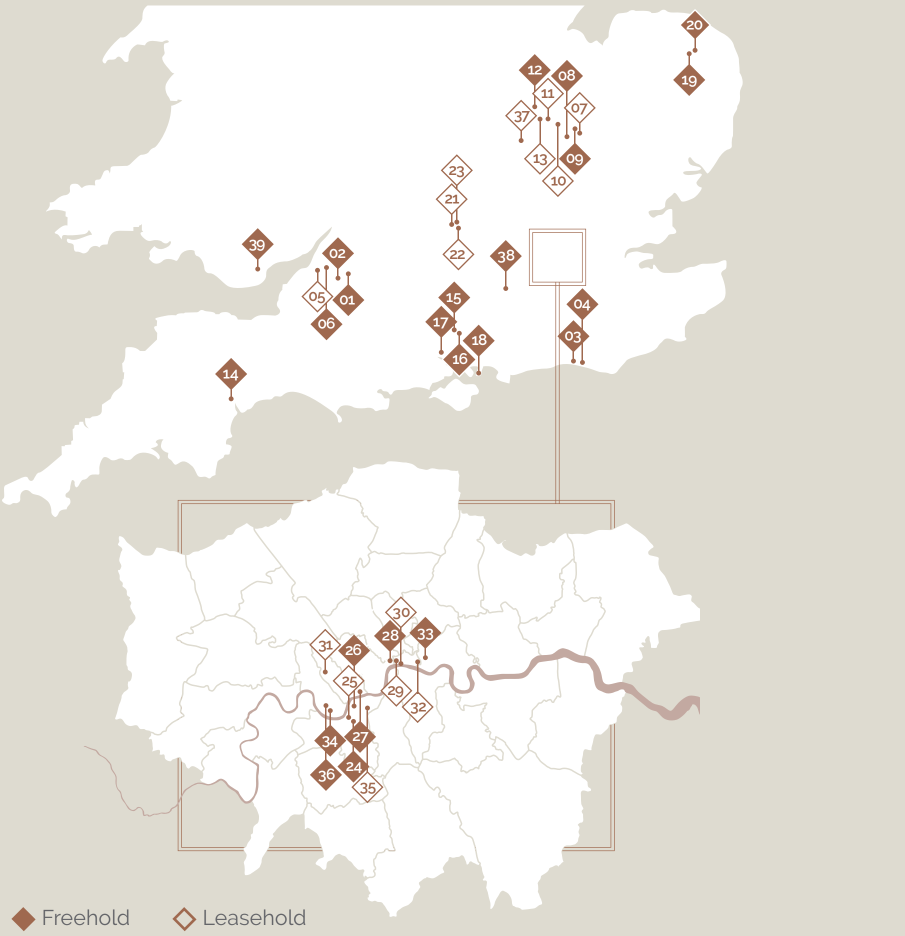
The Directors believe that in the premium managed pub sector, liquor sales such as craft ales, craft spirits and independent coffee brands offer higher growth potential, higher margins and higher predictability over sales than traditional beers, lagers and spirits. Food menus are also developed individually for each pub and offer high quality, freshly prepared food, providing good value for money and offering a wide range of choice. Increasingly, more healthy and vegan options are being offered in each pub to broaden the appeal to a wider range of customers.

The Group has five key target markets:



PUB ESTATE

The Group has a portfolio of 39 sites in southern England and Wales shown on the map below: There were 33 trading sites at the end of 2017. Our 34th site started trading at the end of February 2018.

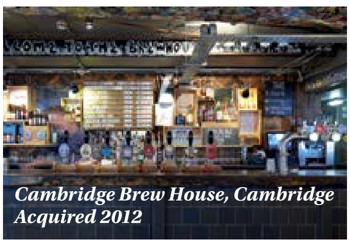


TIMELINE

2011
Co-founded by Clive Watson, David Bruce and John Roberts as The City Pub Company East and The City Pub Company West


The Phene, London Acquired 2013

2013
Pubs added to portfolio
- **Alfie's**, Winchester
- **Bath Brew House**, Bath
- **The Lighthouse**, London
- **The Phene**, London
- **The Georgian Townhouse**, Norwich
- **The Roundhouse**, London


Cambridge Brew House, Cambridge Acquired 2012

2012
First four pubs to the start trading
- **The Cork**, Bath
- **The Mill**, Cambridge
- **St Aldates Tavern**, Oxford
- **Cambridge Brew House**, Cambridge

Daly's Wine Bar, London Acquired 2014

23 of the pubs in the portfolio are freehold and 16* are leasehold as follows:

Bath
- 01 The Cork
- 02 The Bath Brew House

Brighton
- 03 The Lion and Lobster
- 04 The Walrus

Bristol
- 05 The Prince Street Social
- 06 King Street Brew House

Cardiff
- 39 The Pontcanna Inn

Cambridge
- 07 The Mill
- 08 Old Bicycle Shop
- 09 The Petersfield
- 10 Cambridge Brew House
- 11 Punt Yard
- 12 The Red Lion
- 13 Waterman
- 37 Old Ticket Office

Exeter
- 14 The Old Firehouse

Winchester
- 15 The Westgate
- 16 Alfie's

Southampton
- 17 London Rd Brew House

Hayling Island
- 18 Inn on the Beach

Norwich
- 19 The Georgian Townhouse
- 20 St. Andrews Brew House

Oxford
- 21 George Street Social
- 22 St Aldates Tavern
- 23 The Grapes

Reading
- 38 Name TBC

London
- 24 The Althorp
- 25 The Roundhouse
- 26 Lighthouse
- 27 The Phene SW3
- 28 The Nell Gwynne
- 29 Daly's*
- 30 Temple Brew House*
- 31 The Cock & Bottle
- 32 The Three Crowns
- 33 Cat & Mutton Est. 1729
- 34 Aragon House
- 35 The Belle Vue
- 36 Tell Your Friends

* Daly's Wine Bar and Temple Brew House operate under a single lease.


The Lion and Lobster, Brighton Acquired 2014

2015
Pubs added to portfolio
- **The Old Bicycle Shop**, Cambridge
- **The George Street Social**, Oxford
- **The Walrus**, Brighton
- **Prince Street Social**, Bristol
- **King Street Brew House**, Bristol
- **The Cock & Bottle**, London


The Roundhouse, London Acquired 2013

2017
Pubs added to portfolio
- **Three Crowns**, London
- **Waterman**, Cambridge
- **Grapes**, Oxford
- **Red Lion**, Cambridge
- **Old Fire House**, Exeter
- **Aragon House**, London

2014
Pubs added to portfolio
- **Daly's Wine Bar**, London
- **Temple Brew House**, London
- **The Lion and Lobster**, Brighton
- **St Andrew's Brew House**, Norwich
- **The Nell Gwynne**, London

The Walrus, Brighton Acquired 2015

2016
Pubs added to portfolio
- **The Cat & Mutton**, London
- **Inn on the Beach**, Hayling Island
- **The Punt Yard**, Cambridge
- **The Petersfield**, Cambridge
- **The Althorp**, London
- **London Road Brew House**, Southampton
- **The Westgate**, Winchester

CHAIRMAN'S STATEMENT

"The City Pub Group is a vibrant, growing business with a clear strategy, a strong and experienced management team and a well-developed pipeline of sites with an exciting market opportunity ahead."

Clive Watson
Executive Chairman

2017 was a pivotal year in the evolution of the City Pub Group. At the end of last October, the City Pub Company (East) Plc ("CPCE") combined with City Pub Company (West) Ltd ("CPCW") to form the City Pub Group plc (CPG or "the Group"). The Group was subsequently listed onto AIM on November 23 raising £35m at 170p. EIS shareholders also placed £11.6m of shares with new institutional shareholders.

The AIM listing achieved a liquidity event for existing EIS shareholders and the Group's statement of financial position has been significantly strengthened providing the platform for the Group to acquire further pubs and double the size of its estate to 65-70 pubs by 2021.

2017 was a strong year financially with sales up 35% to £37.4m, adjusted EBITDA* up 51% to £6.1m and adjusted EBITDA* margins which increased from 14.7% to 16.4%.

The Board recommends a final dividend of 2.25p per share (2016 1.5p) representing a 50% increase on the prior year.

Trading estate

The Group is made up of 39 high quality local pubs that are predominately drink led. The Group has grown steadily by selective acquisitions to build the Group as it is today (34 trading & 5 to open).

2017 was a year of significant growth and development driven by acquisitions and good performance. The Group began the year trading with 25 pubs and 3 newly acquired sites that had yet to trade.

At the end of January, the Group opened its first pub in Southampton, the London Road Brew House (previously Varsity). It had a very encouraging start and has continued to improve performance in the early stages of 2018.

A busy February saw the Group increase its presence in Oxford through the acquisition of Beerd on George Street. This pub traded as Beerd until August before being closed for refurbishment and reopening as The Grapes. At the end of this month we also opened The Petersfield in Cambridge (previously called Backstreet Bistro). During February the Group also acquired its tenth London pub, The Three Crowns in Shoreditch, which was closed for a minor refurbishment before reopening at the end of March. Performance of The Three Crowns has been encouraging to date and with significant development of the local area in progress, we see further potential for growth.

After significant investment, May saw the highly anticipated opening of our largest pub, The Walrus in Brighton. The pub, previously named Smugglers, was purchased in 2015 and it has traded well under our ownership, building on its strong start with an excellent Christmas performance.

In June the Group added another two well-established freeholds to its estate: the Old Fire House in Exeter and The Red Lion in Histon, Cambridge. The Group also added The Waterman in Cambridge, in July, building on its existing presence in the area. The Waterman has had a major refurbishment.

In September 2017, the Group acquired Aragon House, a freehold pub on the New Kings Road in London, which is due to open in September 2018. The acquisition of the long-leasehold interest of the King Street Brew House in Bristol towards the end of the year further strengthened the statement of financial position.

The momentum since IPO in November 2017 has continued with the Group acquiring five further pubs to date and exchanging contracts on another 2 pubs.

- The Belle Vue in Clapham, a freehold asset, was acquired in January and re-opened at the end of February following a minor refurbishment
- An all-vegan pub in Parsons Green in London will open in April 2018
- The acquisition of two further freehold pubs in Reading and Cardiff allowed the Group to expand its geographic footprint
- The completion of the acquisition of the Old Ticket Office in Cambridge has seen the Group further grow its existing hub there
- Most recently, contracts have been exchanged on two new sites with completion expected at the end of April

Once the development pubs are opened and contracts for the new pubs completed, the Group will have 41 sites of which 59% are freehold.

* Adjusted earnings before exceptional items, share option charge, interest, taxation, depreciation and amortisation.

CHAIRMAN'S STATEMENT CONT'D

Market

While the wider UK pub sector has experienced contraction, the managed pub sub-sector in which the Group operates is forecast to grow in value by 11% from £9.9 billion in 2016 to £11.1 billion in 2019 (Source: MCA UK Pub Market Report).

The Directors believe this growth is driven by consumer preferences moving away from chain and branded pubs and towards pubs with an individual identity and an ambience which reflects the local market. Together with the move toward individual pubs, consumer tastes have continued to evolve, trending towards craft ales and lagers, premium spirits and wines and good quality food which incorporate local produce. The Directors therefore believe that a managed pub with an entrepreneurial tenant or owner, who is able to tailor both the ambience and product range of a pub to its local target market, can retain the flexibility required to respond to evolving consumer trends.

Financial highlights

As the number of pubs has increased the Group has benefitted from economies of scale which has assisted the financial performance of the Group.

Summary for the year ended 31 December 2017:

- Revenue up 35% to £37.4 million (2016: £27.8 million)
- Adjusted EBITDA* up 51% to £6.1 million (2016: £4.1 million)
- Adjusted profit before tax** up 102% to £3.2 million (2016: £1.6 million)
- Reported (loss)/profit of (£0.7) million (2016: £0.4 million)
- Total annual dividend up 50% to 2.25p (2016: 1.50p)
- Net debt to EBITDA 0 times (2016: 3.3 times)

The reported loss has been adversely affected by a number of one-off costs largely relating to the flotation (see Note 8 for further explanation).

The Board is pleased with the significant increase in the Group's adjusted EBITDA performance and the improvements in its operating (EBITDA) margins which have increased from 14.7% to 16.4% and should increase further as the central overhead base becomes more efficient.

Statement of financial position and bank borrowings

As a result of the equity fundraising the statement of financial position has been significantly strengthened. Using the net proceeds of the IPO, the Group repaid its revolving credit facility and ended the year without any borrowings and subsequent to the recent pub purchases bank debt remains low at approximately £3m.

The Group has in place a £30m revolving credit facility with Barclays expiring in July 2021. At the appropriate time it is the Board's intention to increase these facilities and extend the length. The Board has adopted a conservative gearing policy of around 30% of asset value and will utilise cash generated from the existing estate to also fund acquisitions.

Board

With the amalgamation of CPCE and CPCW, Rupert Clark and Alex Derrick have become Joint Group Managing Directors responsible for the day-to-day operations of the Group.

I remain Executive Chairman responsible for managing the Board, the growth of the Group and exploring further acquisition opportunities.

On listing, Richard Prickett was appointed Senior Independent Director with James Watson stepping down after 5 years as a Board member. We thank James for his contribution to the success of the business.

In January this year Neil Griffiths became our second independent Director. Neil, formerly Chief Operations Officer of Punch Plc, replaced David Bruce who was one of the Co-Founders of the Group. The Board is immensely grateful to David for his energy, insight and guidance as we went from start up to trading on AIM.

* Adjusted Earnings before exceptional items, share option charge, interest, taxation, depreciation and amortisation.

** Adjusted profit before tax is the profit before tax, share option charge and exceptional items.

Dividend

The Board's intention is to have a progressive dividend policy and increase future dividends in line with underlying performance of the Group.

The Board recommends a final dividend of 2.25p per share (2016 1.50p) representing a 50% increase on the prior year. If approved, at the Company's AGM, the dividend will be paid on 2 July 2018 to shareholders on the share register as of 1 June 2018. As previously, a scrip dividend alternative will be available to those shareholders who wish to receive their dividends in shares. I will be electing to subscribe for the scrip dividend for the entirety of my holding.

Employee profit share

With retention of staff becoming increasingly important, the Board believes that the Group is at the forefront of the industry in rewarding its employees. In 2015 the Board put in place an innovative Profit Share Scheme so that all employees could share in the Company's success.

As a result of the Employee Profit Share Scheme, employees who had been with the Group since 1 January 2017 were each paid £750 representing an increase of over 30% on last year's payment. By sharing up to 3% of the Group's EBITDA less bank interest we continue to build and retain a motivated and incentivised workforce.

Annual General Meeting

The AGM will be held at Temple Brew House at 11am on Monday 14 May 2018.

Current trading & outlook

For the first 14 weeks of the year, total sales were up 22% on prior year with 34 sites open and trading. The snow adversely impacted trading for a short period, however with key sporting events, particularly the World Cup football tournament in June, the opening of the 7 pubs earmarked for 2018 and a strong acquisition pipeline, we are confident of delivering continued strong progress and meeting expectations for the year as a whole.

The last six months have seen us complete the first part of our journey and start our second stage. In common with all in the hospitality industry, there are challenges such as rising employee costs, business rates increase and uncertainty around Brexit. Increasing sales, scale and efficiency will mitigate the bulk of these.

The Board is confident that with its strong trading estate and statement of financial position we are well placed to take advantage and will benefit from weakening acquisition prices as we expand our portfolio.

I would like to take this opportunity to thank everyone: employees, advisors, suppliers, banks and my Co Directors for their contributions in enabling this Group to thrive thus far. The City Pub Group has the opportunity to continue to grow and prosper and build on the solid foundations already in place.

Clive Watson
Chairman, The City Pub Group plc,
11 April 2018

OUR BUSINESS MODEL

OUR APPROACH

City Pub Group stands out from the crowd with its unique and premium offer. This is embedded in its culture and influences everything from site selection, food and menu design to the quality of its employees.

Importantly its portfolio is built up of unbranded, wet-led pubs in high footfall areas that appeal to a broad range of customers. Each pub is centred on a high calibre level of staff that offers a relaxed, enthusiastic charming environment. The Group has a solid track record of identifying, acquiring, refurbishing and repositioning pubs to drive higher returns. Its approach is highly differentiated and combines the flexibility of the managed pub model with the entrepreneurialism of the tenanted model. This differentiated approach has been honed over management's 100 collective years of pub retail experience.

Premium and differentiated product offering

Liquor-led pubs with high quality food offering

Quick to adapt to consumer habits for food and drink

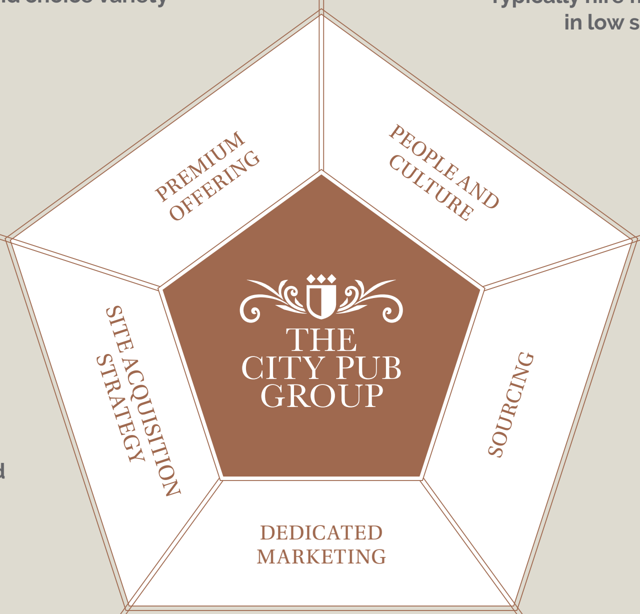
Micro breweries in selected sites add differentiation and choice variety

People and culture

Quality staff are key to the company's strategy

Track record of hiring exceptional managers who are well trained and incentivised with targeted programmes

Typically hire from within resulting in low staff turnover



Acquisition and transformation of sites

Extensive network in the industry enables privileged access to new sites

Seamless integration of acquired pubs

Need for refurbishment decided on a case-by-case basis

Sourcing

Central buying power

Benefiting from attractive long term agreements with suppliers due to its scale

Dedicated marketing

Marketing is predominately reputation-based supported by strong online reviews

Recent introduction of innovative app 'City Club' aims to engender customer loyalty

OUR KEY STRENGTHS

Premium operator creating individual identify for each pub

The Group's pub estate and flexible retail strategy addresses the trend away from branded pubs and toward premium individualised pubs, each of which have a product range appropriate for their local market.

Scalable platform with strong pipeline of potential acquisitions

The centralised infrastructure platform, comprising systems and processes as well as head office staff, enables a smooth change of ownership for the pubs which are currently in the acquisition pipeline, as well as those identified through the Group's appraisal of both individual sites and portfolios of pubs across southern England.

The group is asset backed

An independent valuation report by CBRE valued the Group's portfolio at £73.65 million as at 11 October 2017. This valuation does not include Aragon House, a freehold pub which the Group acquired on 21 September 2017 for £7.75 million. The Group had a portfolio of 34 pubs (including Aragon House), at that time.

Impressive financial performance and growth

The Group has enjoyed consistently strong sales and EBITDA growth, with steadily increasing operating margins over the last two years. New supplier agreements are expected to further improve operating margins going forward.

Experienced management team, motivated staff and strong culture

The management team of the Group has over 100 years' experience in the pub industry with an excellent reputation, extensive contact base and proven skill in identifying attractive sites for an attractive price. Staff are incentivised to focus on customer service and are represented at board meetings, giving a high retention rate among key staff and a strong sense of culture.

Management strength and track record provides confidence in the deliverability of a premium hyper-local strategy of refurbishing and repositioning wet-led pubs across UK cathedral cities.

The Cock and Bottle, London
Acquired 2015

MARKET OVERVIEW

UK pub market

At the end of 2016, the UK's total pub market consisted of 47,548 pubs, with a total market value of £21.55 billion. From 1990 to 2015, the UK pub sector experienced a decline from approximately 70,000 pubs to 50,000 pubs (BBPA), the key drivers of which have been changes in consumer preferences, the upsurge in cheap alcohol sales from supermarkets and the 2007 smoking ban, in addition to the wider economic slowdown.

While the wider UK pub sector has experienced contraction, the managed pub sub-sector has grown by 8.3 per cent. from c.8,688 pubs in 2013 to c.9,408 pubs in 2016. This sub-sector is forecast to grow in value by 11% from £9.9 billion in 2016 to £11.1 billion in 2019 (Source: MCA UK Pub Market Report). The Directors believe this growth is driven by consumer preferences moving away from chain and branded pubs and towards pubs with an individual identity and an ambience which reflects the local market. Together with the move toward individual pubs, consumer tastes have continued to evolve, trending towards craft ales and lagers, premium spirits and wines and good quality food which incorporate local produce. The Directors therefore believe that a managed pub with an entrepreneurial tenant or owner, who is able to tailor both the ambience and product range of a pub to its local target market, can retain the flexibility required to respond to evolving consumer trends.

2016 UK pub market

47,548 pubs

2016 UK pub market value

£22bn

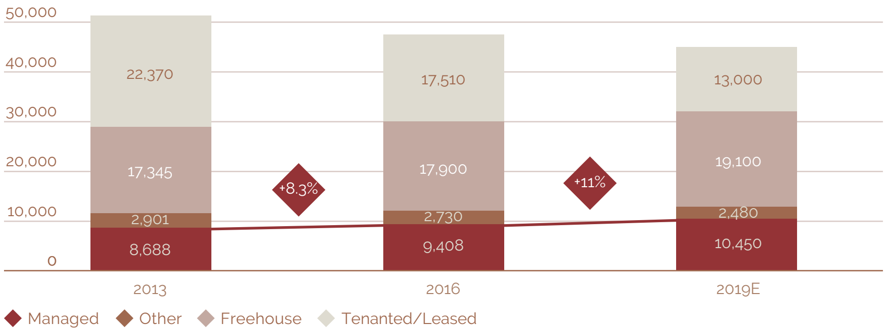
Forecast growth in pub sector

11%

Pubs and restaurants – share of total eating-out market:

Consumer food score for pub food quality:

Number of pubs split by segment



> **Together with the move toward individual pubs, consumer tastes have continued to evolve, trending towards craft ales and lagers, premium spirits and wines and good quality food which incorporate local produce.**

Managed-pub sector growth (2013–2016)

8.3%

Estimated managed-pub sector value in 2019

£11.1bn

Acquisition landscape

The contraction of the UK pub sector and uncertain market conditions arising from the 2007 smoking ban, the wider economic slowdown and the rise in cheap alcohol sales from supermarkets and changing consumer trends has provided opportunities for independent pub companies to expand their estates through the acquisition of both individual pubs and portfolios of pubs.

In addition, the Directors believe smaller pub companies and individual pub operators who have been slower to respond to the increased importance of social media, menu and pub designs, as well as changing health and safety legislation, are selling their businesses, providing further opportunities for independent pub companies to grow their estates.

OUR STRATEGY

At present, the Group has 34 trading pubs and it intends to double the size of its estate over the next three to four years. The Group already has extensive relationships with property agents specialising in the licenced trade industry and many of these relationships have been in existence for a number of years.

Acquisition strategy

The Group's acquisition strategy is broken down into four key areas and the Directors believe that these areas will provide sufficient acquisition opportunities to support the targeted growth of the Group's pub estate.

1. **Acquisition of existing pubs**
Central to the Group's acquisition strategy is buying existing pubs which are already trading well and are typically sold by private sellers. The main change is to transfer the pub's supply contracts onto the Group's centralised platform, quickly improving operating margins. The Group prides itself on the way it works with the existing employees in these pubs and, over a period of time, aims to integrate these employees into the Group's entrepreneurial culture.

2. **Acquisition of trading pubs which require redirection**
The Group also seeks to acquire existing pubs that require modest refurbishment and improved retailing standards. Typically, the Group will target an investment of circa £250,000 to tailor the décor to the pub's local market and improve the liquor and food offerings, as well as help the existing staff to adopt an entrepreneurial approach in managing the pub.

3. **Closed down pubs requiring extensive refurbishment**
The Group also looks to acquire sites that are either underperforming or have been closed down and which provide the opportunity for the Group to substantially refurbish and improve the product offer to better serve the tastes of the Group's target consumers.

4. **Unlicensed premises**
The Group is able to target sites which are currently unlicensed but which present the opportunity to be transformed into premium trading pubs.

The Group typically targets pubs and sites which produce, or are expected to produce, higher EBITDA per pub than the industry average. The Directors believe that by focusing on sites expected to produce a higher EBITDA, head office costs as a percentage of sales are reduced and this performance also enables the attraction and retention of top performing pub managers.

The Group evaluates new sites by testing them against five key target markets: residents, office workers, students, tourists and shoppers. For a new site to be considered, it must address at least four of the five key target markets.

The Nell Gwynne, London Acquired 2014

Refurbishment strategy

The Group's strategy is to enhance existing sites rather than redesign to a set formula. The Directors believe that an operation comprising individual quality outlets which are unbranded will trade better over the longer term. When refurbishing a pub, the Group adopts a timeless design style which is one of high quality but is not fashionable or contemporary. A typical refurbishment is undertaken in a style which the Directors believe is long lasting and through regular maintenance to maintain the estate to a high standard, future refurbishment costs are reduced and closures of pubs for major refurbishments are minimised.

Our strategy is to enhance existing sites rather than redesign to a set formula. Our Directors believe that an operation comprising individual quality outlets which are unbranded will trade better over the longer term.

Acquisition pipeline

The Group is continually appraising both individual sites and portfolios of pubs across southern England and has developed a strong pipeline of potential acquisitions out of the large number of opportunities presented. The Group is targeting the acquisition of 8-10 pubs per annum. All acquisitions are subject to approval by the Board and a key consideration, when seeking board approval, is to recommend pubs and sites in areas which are not highly competitive.

The Group has a low annual rent charge compared to its turnover which was circa 3.4% as at 31 December 2017 and the Group intends to keep it at this level.

OUR RELATIONSHIPS

OUR PEOPLE

Recruitment and retention of high quality staff is key to the Group's strategy, both at head office and across the estate. The Group's staff are well trained and appropriately incentivised, given their respective roles, with the focus on attracting the most suitable employees to support the growth of the Group and maintain high levels of consumer satisfaction.

People and culture

The Group's localised strategy requires a certain standard and quality in its staff. The inherent ability to be engaging, intelligent and motivated are key attributes. The strategy to focus within Cathedral cities means finding the right type of staff should be easier especially as universities are central to all these cities. Finding the right people is followed by training programmes and a highly rewarding incentives package that we feel is unique in the industry. Putting its staff at the heart of the business is also reflected, with two employee representatives included at every board meeting.

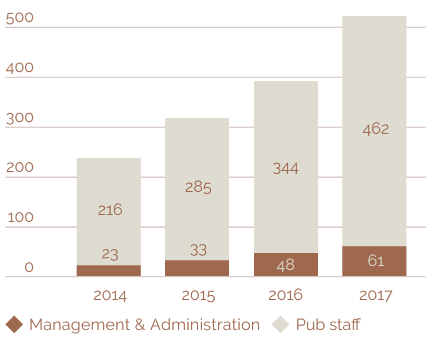
Operation structure and staffing

Growth, accompanied with the clustering strategy, means many General Managers are 'homegrown'. This has allowed for progression to area manager in some cases. Each pub has a General Manager and head Chef on-site. The average full time equivalent (FTE) staff per pub ranges from 15-20 depending on size and offer (higher for those with accommodation and greater food offer). The operational structure is highly devolved fostering a more entrepreneurial spirit that is rarely seen in larger groups.

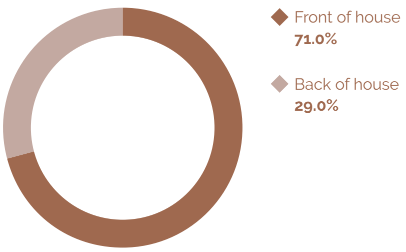
Temple Brew House, London
Acquired 2014

Our aim is to offer customers exceptional experiences, while striving to offer employees sufficient development possibilities to build a career within the company.

Number of staff

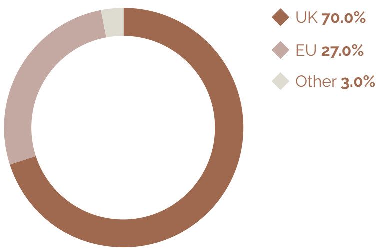


Proportion of pub workforce (by task)



Source: company

Proportion of pub workforce (by region)



Source: company

Staff training and incentives

Training

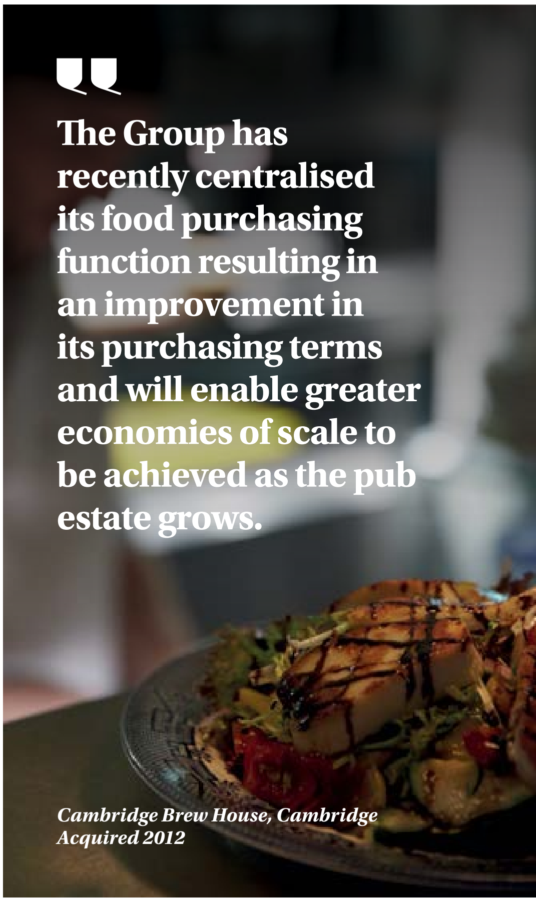
The overarching aim is to offer customers exceptional experiences, while striving to offer employees sufficient development possibilities to build a career within the Group.

Incentives

The City Pub Group has developed a comprehensive incentives policy with all employees participating at some level. Importantly bonuses are based on both quantitative and qualitative targets are paid out weekly, monthly, as well as annually. This is unique in the industry, in our view.

Selective trainings offered to employees:

Management	Administrative	Food & Beverage
Assistant Manager Development Programme	Managing Events	WSET Wine & Spirit Education Trust
Disciplinary Workshop	Fire Marshall	Chef Development Programme
Supervisor Development Programme	Flow Online Training	Brewery & Cellar Management
Excellence in Senior Management	First Aid	Personal License



Cambridge Brew House, Cambridge
Acquired 2012

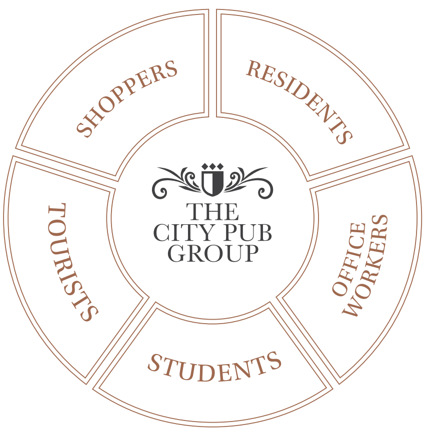
OUR CUSTOMERS

While value for money is a major component, there is a key focus on a premium offer across the entire estate. Aligned with keeping the values of the pub intact, there is an aim for the pub to become a central part of the local community by incorporating local suppliers, local staff and providing several reasons for people to visit often.

Adapting and driving consumer preference

Shifts in consumer preferences combined with the changing profile of the high street, have blurred the lines between pubs, restaurants, cafes and coffee shops. Customers are now able to have a breakfast in a pub or dinner in a coffee shop. Menus are developed individually for each pub and offer good value across a wide range of choice. Increasingly, healthier and vegan options are being offered in each pub to broaden the appeal to a wider range of customers.

The Group has five key target markets:



OUR SUPPLIERS

The Group adopts a long term approach with its suppliers and has maintained relationships with its major suppliers since inception. This includes contractors, professional advisers, designers and property agents, as well as food and drink suppliers.

The Group has recently entered into a number of three year fixed-term supply agreements with its major suppliers. These agreements cover over 80% of the Group's liquor purchases and are expected to generate c. £1 million in cost savings, compared to its previous arrangements, over the next three years. The Group has also recently centralised its food purchasing function and significantly reduced the number of its suppliers. This has resulted in an improvement in its purchasing terms and will enable greater economies of scale to be achieved as the pub estate grows.

BUSINESS REVIEW

Financial performance

	2017				2016			
	Revenue £m	Operating profit £m	EBITDA £m	(Loss)/profit before tax £m	Revenue £m	Operating profit £m	EBITDA £m	Profit before tax £m
Reported	37.4	0.7	2.7	(0.2)	27.8	1.6	3.1	0.6
Share option charge	–	0.2	0.2	0.2	–	0.3	0.3	0.3
Exceptional items	–	3.2	3.2	3.2	–	0.7	0.7	0.7
Adjusted	37.4	4.1	6.1	3.2	27.8	2.6	4.1	1.6

The Group has a strong financial position as a cash generative business with a high quality, mainly freehold asset base. The bank debt has been repaid leaving the ratio of net debt to pro forma EBITDA of 0 times (2016: 3.3 times).

We have grown our revenue by 35% on the prior year with the majority of the growth coming from the eight new pubs opened in the year along with the strong like for like trading of the existing estate. Our adjusted operating profit before separately disclosed exceptional items grew by 58% to £4.1 million (2016: £2.6 million).

Adjusted EBITDA increased by 51% to £6.1 million (2016: £4.1 million) reflecting the performance of the larger estate. There was an increase in depreciation of 28% on the prior period. Net finance costs before separately disclosed exceptional items are in line with prior year at £1.0 million.

The Group generated cash from operating activities of £4.0 million (2016: £4.2 million). In line with our acquisition strategy, we invested £17.3 million on the acquisition and opening of eight pubs during the year, including the subsequent refurbishments. The new sites were – The Grapes in Oxford, The Petersfield in Cambridge, The Three Crowns in Shoreditch, The Old Fire House in Exeter, The Red Lion in Histon, The Waterman in Cambridge, Aragon House in Parsons Green and what will be a vegan pub also in Parsons Green.

The Group has £30 million of available long term facilities, available until June 2021. The Group had repaid all the bank debt following the equity raise at the time of the IPO. There is a further £6.4 million of cash held on the statement of financial position at year end.

Separately disclosed exceptional items before tax of £3.2 million comprised £0.45 million impairment provision on a Bristol site, £0.9 million of pre-opening costs expensed and £1.8 million of costs related to the IPO. Before separately disclosed exceptional items and share option charge, adjusted profit before tax was therefore £3.2 million (2016: £1.6 million).

Tax has been provided for at a rate of 19.25% (2016: 20.0%) on adjusted profits. A full analysis of the tax charge for the year is set out in note 7.

Review of the business

The purpose of the business review is to show how the Company assesses and manages risk, and adopts appropriate policies and targets. Further details of the Company's business and future developments are also set out in the Chairman's statement.

KPIs

Legislation requires the Board to disclose Key Performance Indicators (KPIs) relevant to the Company. The KPIs are revenue, adjusted EBITDA and customer reviews. Comments regarding the trading performance of the sites can be found in the Chairman's Statement. Trading overall has been in-line with the Board's expectations.

KPIs that we use include; revenue, adjusted EBITDA, site EBITDA and customer reviews (e.g. Trip Advisor scores).

PRINCIPAL RISKS AND UNCERTAINTIES

The following are some of the principal risks and uncertainties that face the Group:

Dependence on key executives and personnel	The Group's future success is substantially dependent on the continuing services and performance of the highly skilled pub managers and its ability to continue to attract and retain them. The Directors believe the Group's culture and remuneration packages are attractive, which should assist key staff retention. The Directors are indemnified against public liability claims through Directors and Officers insurance.
Risks relating to growth strategy	The continuing growth of the Group is largely dependent on its ability to identify and acquire free-of-tie, managed pubs in the South of England. If the Group is unable to find suitable acquisition targets at an acceptable price, this may have an adverse effect on the Group's future success. The price of such pubs may be affected by interest rates, inward investment in the UK, the demand for pubs and other factors outside of the Group's control. The Group may face competition from other organisations, which may be larger or better funded than itself, either within or outside of the pub sector, when seeking to acquire new sites. However, the Directors believe that the size of the market and the number of pubs in this area will mean that the Group will continue to be able to grow. The Group also faces the risk that acquisition due diligence does not identify all risks and liabilities.
Licences, permits and approvals	The pub industry in the UK is highly regulated at both national and local levels and pub operators require licences, permits and approvals. Delays and failures to obtain the required licences or permits could adversely affect the operations of the Group. These laws and regulations impose a significant administrative burden on each pub and additional or more stringent requirements could be imposed in the future. Each of the Group's pubs is licensed to permit, amongst other things, the sale of liquor. Should any of the Group's pub licences be withdrawn or amended, the profitability of any such pub could be adversely impacted. The Group has processes in place to ensure all necessary licences are obtained on a timely basis, and to monitor compliance with all relevant laws and regulations.
Health and safety regulation	The Group is subject to regulation in areas such as health and safety and fire safety. Whilst the Group believes it has appropriate policies and procedures in place, these may need to adapt which may require additional expenditure. Furthermore, in order to ensure the Group's sites remain fully compliant with legislative requirements there will always be the need to maintain premises, not only generally but if an ad hoc issue arises, which again will require capital expenditure.
Key pubs	Whilst the Group currently has a portfolio of 34 trading pubs, the level of EBITDA generated by each of these pubs varies with the largest pub within the portfolio generating approximately 8% of the EBITDA from pubs (EBITDA from pubs being EBITDA before head office costs) for FY17. In the event that for any reason, there was a deterioration in the operating performance of any pub generating a significantly higher than average level of EBITDA for the Group, this could have an adverse impact on the Group's overall operating results, financial condition and prospects.
Market	It is possible that economic factors such as further reduced access to debt and tax increases may decrease the disposable income that customers have available to spend on drinking and eating out. This could lead to a reduction in the revenues of the Group's pubs. The Group is likely to face increased competition as a source of alcohol from supermarkets and off-licences as well as other entities operating in its business sector which may have greater resources than the Group. As a result the Group could be adversely affected by the increased competitive pressures which result. However, the Directors believe that the location of the Group's pubs, which are generally in prosperous provincial towns, means that the Group is well placed to cope with such pressures.
Alcohol	The Government is also considering initiatives to deal with so-called "binge drinking". Whilst the Directors do not consider that these initiatives will be directly relevant to the Group's pub portfolio given their planned locations and customer profile, any focus on the potentially harmful effects of alcohol may reduce sales of alcoholic beverages.

On behalf of the Board

Tarquin Williams
Chief Financial Officer
11 April 2018

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Clive Watson ACA (56)
Executive Chairman

Clive qualified as a Chartered Accountant with Price Waterhouse in London in 1986 then joined the investment bank Manufacturers Hanover Limited where he spent three years. He joined Regent Inns PLC as Finance Director and Company Secretary in 1990. Clive left Regent Inns PLC in February 1998 and co-founded Tup Inns Limited, where he was responsible for financial and commercial matters as well as acquisitions, before becoming Chief Executive and Finance Director of Tom Hoskins PLC, an AIM listed company. Clive was a founding director of The Capital Pub Company PLC in 2000 and remained on the board until the company's sale to Greene King in 2011. Clive was appointed as Chief Executive of The City Pub Company (East) PLC in December 2011 before becoming Chairman in September 2014 and served throughout the period.

Rupert Clark (45)
Managing Director

Rupert has over 20 years' experience in the running of high-volume food and liquor-led pubs, both in and outside London. Rupert was previously Operations Manager of The Capital Pub Company PLC and was with Capital for four years. After the sale of Capital to Greene King in 2011 Rupert stayed on to ensure the smooth integration of pubs into the Greene King estate. Prior to Capital, Rupert worked as Operations Manager at The Food and Drink Group, repositioning their City bars, and at Fullers first developing The Fine Line brand and then their unbranded bars and gastro pubs. Rupert was appointed as Joint-Chief Executive of The City Pub Company (East) PLC in April 2013 becoming sole Chief Executive in September 2014 and served throughout the period.

Alex Derrick (42)
Managing Director

Alex has over 18 years' experience in running premium, independent pubs. He was previously the Operations Director of The Capital Pub Company PLC and during his seven years at Capital helped oversee the expansion of the estate from 13 to 35 pubs. Prior to joining Capital, Alex was the Operations Manager for Jacomb Guinness Limited and The Union Bar and Grill Limited, which operated five premium London gastro pubs. Alex was appointed as Joint Chief Executive of the City Pub Company (West) Limited in April 2013 becoming sole Chief Executive in September 2014 and was appointed as a Director of the City Pub Company (East) PLC on 25 October 2017.

Tarquin Williams ACMA (47)
Chief Financial Officer

Tarquin has considerable experience in the managed & tenanted pub industry. He spent 16 years with Fuller Smith & Turner PLC from 1997; the last eight years there he was Chief Accountant for Fullers Inns, with an estate of circa 400 pubs. Tarquin then spent a short period of time serving as Chief Operating Officer at the Ladies European Tour running their head office based at the Buckinghamshire Golf Club. Tarquin was appointed as Finance Director of the City Pub Company (East) PLC in March 2015 and served throughout the period.

NON-EXECUTIVE DIRECTORS

John Roberts (60)
Non-Executive Director

John has been involved in the food and beverage industries for over thirty five years, with more than twenty of those years in the brewing and pubs sector. In 1994 John joined Courage, becoming Strategic Planning Director for the newly formed Scottish Courage. John joined the board of Fuller, Smith & Turner PLC in 1996 as Sales and Marketing Director, before then managing the Fuller's Beer Company from 1999, initially as Beer and Brands Director, and later as its Managing Director. In addition, John has sat on a number of committees of the British Beer and Pub Association and Independent Family Brewers of Britain. John was appointed as Director of The City Pub Company (East) PLC in December 2011 and served throughout the period. John sits on the Audit & Risk, Remuneration and Nominations Committees.

Richard Prickett (66)
Independent Non-Executive Director

Richard was appointed as a Non-Executive Director of the Company on 25 October 2017. Richard has considerable public markets experience, gained through numerous non-executive director roles including acting as Independent Non-Executive Director for Regent Inns Plc and the Capital Pub Company. Richard currently serves as a Non-Executive Director to Pioneer (City) Pub Company, a start up EIS managed pub company, Non-Executive Chairman for City Natural Resources High Yield Trust Plc. Richard is also Finance Director to Landore Resources Limited. Richard qualified as a chartered accountant in 1973 with Coopers & Lybrand and has many years' experience in corporate finance. Richard is Chairman of both the Remuneration Committee and the Audit & Risk Committee, and sits on the Nominations Committee.

Neil Griffiths (56)
Independent Non-Executive Director

Neil was appointed as a Non-Executive Director of the Group on 17 January 2018. Neil qualified as a Chartered Surveyor in 1987 and has over 30 years of experience in retail, leisure and property sectors. Neil worked at Punch Taverns plc from 2001 to 2017 holding a number of senior management roles including Chief Operating Officer, Chief Strategy Officer and Group Property Director. Neil joined Punch from Time Warner where he was International Property Director for their cinema division. Prior to that he held a number of Senior Management and Divisional Board roles at Bass Plc including Head of Property and Commercial Development Director. Neil is a Trustee Director for the Prince of Wales initiative 'Pub is the Hub'. He is a former Council member of the British Beer & Pub Association having sat on panels and committees for both the BBPA and Royal Institution of Chartered surveyors. Neil is Chairman of the Nominations Committee and sits on the Audit & Risk and Remuneration Committees.

COMPANY SECRETARY

James Dudgeon (70)
Company Secretary

James has been Company Secretary since 2011. He was previously Company Secretary of the Capital Pub Company. He has an accounting background.

London Stock Exchange
City Pub Group plc admission to AIM, 23 November 2017

CORPORATE GOVERNANCE REPORT

for the 53 week period ended 31 December 2017

The Directors recognise the importance of sound corporate governance and confirm that they intend to comply with the QCA Guidelines, (as devised by the QCA in consultation with a number of significant institutional small company investors) in so far as practicable having regard to the current stage of development of the Group.

The Board comprises seven Directors of which four are executives and three are non-executives, reflecting a blend of different experience and backgrounds. The Board considers Richard Prickett and Neil Griffiths of the non-executive directors to be independent in terms of the QCA Guidelines.

Following Admission, the Board will meet regularly to review, formulate and approve the Group's strategy, budgets, and corporate actions and oversee the Group's progress towards its goals. In accordance with the best practice, the Group has established Audit and Risk, Remuneration and Nomination committees with formally delegated duties and responsibilities and with written terms of reference. From time to time separate committees may be set up by the Board to consider specific issues when the need arises.

Board of Directors

The Board has overall responsibility for the Group's system of internal control and reviewing its effectiveness. Key elements of the system of internal control include clearly defined levels of responsibility and delegation, together with well-structured reporting lines up to the Board; the preparation of comprehensive budgets for each pub and head office, approved by the Board; a review of period results against budget, together with commentary on significant variances and updates of both profit and cash flow expectations for the period; Board authorisation of all major purchases and disposals and regular reporting of legal and accounting developments to the Board.

Details of the current Directors, their roles and their backgrounds are on pages 16 and 17.

Audit and Risk Committee

The Audit and Risk Committee will assist the Board in discharging its responsibilities, within agreed terms of reference, with regard to corporate governance, financial reporting and external and internal audits and controls, including, amongst other things, reviewing the Group's annual financial statements, reviewing and monitoring the extent of the non-audit services undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the Group's internal controls and risk management systems. The ultimate responsibility for reviewing and approving the annual report and accounts and the half yearly reports remains with the Board. Membership of the Audit and Risk Committee compromises Neil Griffiths, John Roberts and Richard Prickett and it is chaired by Richard Prickett. The Audit and Risk Committee will meet formally not less than twice every year and otherwise as required.

Remuneration Committee

The Remuneration Committee is responsible, within agreed terms of reference, for establishing a formal and transparent procedure for developing policy on executive remuneration and to set the remuneration packages of individual Executive Directors. This includes agreeing with the Board the framework for remuneration of the Executive Directors, the company secretary and such other members of the executive management of the Group as it is designated to consider. It is furthermore responsible for determining the total individual remuneration packages of each Executive Director including, where appropriate, bonuses, incentive payments and share options. No Director may be involved in any decision as to their own remuneration. The membership of the Remuneration Committee comprises Neil Griffiths, John Roberts and Richard Prickett and the committee is chaired by Richard Prickett. The Remuneration Committee will meet not less than twice a year and at such other times as the chairman of the committee shall require.

Nomination Committee

The Nomination Committee will have responsibility for reviewing the structure, size and composition of the Board and recommending to the Board any changes required for succession planning and for identifying and nominating (for approval of the Board) candidates to fill vacancies as and when they arise. The Nomination Committee is also responsible for reviewing the results of the Board performance evaluation process and making recommendations to the Board concerning suitable candidates for the role of senior independent director and the membership of the Board's committees and the re-election of Directors at the annual general meeting. The membership of the Nomination Committee comprises Neil Griffiths, John Roberts and Richard Prickett and the committee is chaired by Neil Griffiths. The Nomination Committee will meet not less than once a year and at such other times as the chairman of the committee shall require.

Share incentive arrangements

The Directors believe that the success of the Group will depend to a significant degree on the future performance of the management team. The Directors also recognise the importance of ensuring that all employees are well motivated and identify closely with the success of the Group. The Directors regard equity participation to be an important aspect of the Group's ability to attract, retain and incentivise its key staff. The Group currently provides, and intends to continue to provide, key senior management team members with an equity incentive in the Group.

The Existing Share Option Schemes consist of the EMI Share Option Scheme and the CSOP Share Option Scheme. Both CPCE and CPCW granted tax advantaged Enterprise Management Incentive (EMI) options over the respective company's shares to employees in 2013, and made further grants of EMI options in 2014. These EMI options became exercisable three years after the option holder commenced employment. After CPCE and CPCW became ineligible to grant any further EMI options, each company adopted a tax advantaged Company Share Option Plan (CSOP) in 2016 and made further option grants under those plans over the respective company's shares. These CSOP options ordinarily become exercisable shortly after the third anniversary of their grant date.

In order to put the CPCW option holders in broadly the same position as the CPCE option holders, following the Scheme, the CPCW option holders were given the opportunity to exchange their EMI and CSOP options for equivalent replacement options over Ordinary Shares. If CPCW option holders do not exchange their EMI options, but instead exercise them and acquire CPCW ordinary shares, such CPCW ordinary shares would be immediately acquired by the Company in exchange for an equivalent number of Ordinary Shares under the articles of association of CPCW.

The terms of the options under the EMI Share Option Scheme (including the replacement options) provide that they would lapse 40 days after Admission, and therefore all such options have been exercised, conditional on Admission. Certain of the Ordinary Shares acquired in connection with the exercise of such options form part of the Sale Shares. No further options may be granted under the EMI Share Option Scheme.

Options granted under the CSOP Share Option Scheme (including replacement options granted under the CPCW CSOP) will continue on the same terms following Admission and therefore will potentially become exercisable following the third anniversary of their date of grant. The Company may also grant further options under the CSOP Share Option Scheme following Admission.

In order to incentivise the key senior management team following Admission, and to better align their interests with those of shareholders, the Company proposes to introduce a JSOP. It is intended that awards be granted under the JSOP shortly after Admission.

Immediately following Admission and the exercise of the Exercised Options (but before making any Awards under the JSOP), the Company will have granted options over 1,042,500 Ordinary Shares representing 1.85 per cent. of the Enlarged Share Capital. Taking this into account, an additional 4,604,233 Ordinary Shares remain available for reward under the JSOP and the CSOP after Admission.

Senior bonus scheme

The Group has adopted a senior bonus scheme which provides for payment of discretionary annual performance based bonuses to senior key employees and executive directors of the Company. Bonus targets are set in relation to the profit of the Group. No pay-out would be made if the minimum threshold on the bonus target schedules is not achieved. The targets have been selected to incentivise the senior key employees and executive directors to deliver performance in line with the Group strategy.

Directors' emoluments

Directors' emoluments for the period were as follows:

Single total figure of remuneration table

The following table shows a breakdown of the remuneration of individual Directors who served in all or part of the year:

	Salary/Fees		Annual Bonus		IPO Bonus**		Taxable Benefits		Other*/Pension		Total	
	2017 £000	2016 £000	**2017 £000**	2016 £000	**2017 £000**	2016 £000	**2017 £000**	2016 £000	**2017 £000**	2016 £000	**2017 £000**	2016 £000
Clive Watson	**101**	95	**136**	103	**254**	–	**3**	3	**271**	–	**765**	201
Alex Derrick	**101**	95	**147**	92	**180**	–	**5**	–	**209**	–	**642**	187
Rupert Clark	**101**	95	**155**	113	**240**	–	**4**	1	**209**	–	**709**	209
Tarquin Williams	**86**	80	**71**	21	**128**	–	**2**	1	**1**	–	**288**	102
David Bruce	**43**	42	**41**	35	**56**	–	**–**	–	**–**	–	**140**	77
John Roberts	**28**	27	**30**	35	**42**	–	**–**	–	**41**	41	**141**	103
James Watson	**17**	23	**–**	7	**–**	–	**–**	–	**–**	–	**17**	30
Richard Prickett	**8**	–	**–**	–	**–**	–	**–**	–	**–**	–	**8**	–
Total	**485**	457	**580**	406	**900**	–	**14**	5	**731**	41	**2,710**	909

** The IPO bonus was paid out 45% in cash and 55% in shares at the time of the IPO at the placing price of £1.70.

* Other includes the gain on the exercise of the EMI share options at the time of the IPO.

CORPORATE GOVERNANCE REPORT CONT'D

for the 53 week period ended 31 December 2017

Directors interests

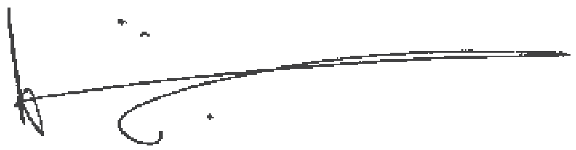
As at 31 December 2017 the Directors of the Company held the following number of shares:

The Directors share interest represents 8.0% of the ordinary shares in circulation.

	2017	2016
Directors Share Interests		
David Bruce		
Ordinary 50p shares	591,985	520,706
Convertible Preference 50p shares	–	150,000
Rupert Clark		
Ordinary 50p shares	555,059	143,464
'B' ordinary 1p shares	–	300,000
Convertible Preference 50p shares	–	50,000
Alex Derrick		
Ordinary 50p shares	425,682	100,000
'B' ordinary 1p shares	–	300,000
Richard Prickett		
Ordinary 50p shares	58,823	–
John Roberts		
Ordinary 50p shares	339,704	291,200
Convertible Preference 50p shares	–	100,000
Clive Watson		
Ordinary 50p shares	2,252,882	817,306
'B' ordinary 1p shares	–	300,000
Convertible Preference 50p shares	–	3,450,000
James Watson		
Ordinary 50p shares	–	–
Tarquin Williams		
Ordinary 50p shares	291,412	–
'B' ordinary 1p shares	–	300,000

Director's Share Options

Director	Scheme	As at 25 December 2016	Exercised	Lapsed	Granted	As at 31 December 2017	Exercise price	Date of grant	Exercisable from	Expiry date
Rupert Clark	EMI	100,000	(100,000)	–	–	–	£0.50	Oct-13	Oct-17	
	EMI	100,000	(100,000)	–	–	–	£1.20	Oct-13	Oct-17	
	EMI	75,000	(75,000)	–	–	–	£1.20	Oct-14	Nov-17	
	CSOP	30,000	–	–	–	30,000	£1.00	May-16	May-19	May-26
Total		305,000	(275,000)			30,000				
Alex Derrick	EMI	100,000	(100,000)	–	–	–	£0.50	Oct-13	Oct-17	
	EMI	100,000	(100,000)	–	–	–	£1.20	Oct-13	Oct-17	
	EMI	75,000	(75,000)	–	–	–	£1.20	Oct-14	Nov-17	
	CSOP	30,000	–	–	–	30,000	£1.00	May-16	May-19	May-26
Total		305,000	(275,000)	–	–	30,000				
Clive Watson	EMI	150,000	(150,000)	–	–	–	£0.50	Oct-13	Oct-17	
	EMI	100,000	(100,000)	–	–	–	£1.20	Oct-13	Oct-17	
	EMI	80,000	(80,000)	–	–	–	£1.20	Oct-14	Nov-17	
	CSOP	30,000	–	–	–	30,000	£1.00	May-16	May-19	May-26
Total		360,000	(330,000)	–	–	30,000				
Tarquin Williams	CSOP	30,000	–	–	–	30,000	£1.00	May-16	May-19	May-26
	CSOP	30,000	–	–	–	30,000	£1.00	May-16	May-19	May-26
Total		60,000	–	–	–	60,000				
TOTAL		**1,030,000**	**(880,000)**	**–**	**–**	**150,000**				



Richard Prickett
Independent Non-executive Director,
11 April 2018

DIRECTORS' REPORT

for the 53 week period ended 31 December 2017

The Directors present their Report and the consolidated financial statements of the Group for the 53 week period ended 31 December 2017.

Results and dividends

The statement of comprehensive income is set out on page 28 and shows the loss for the period. The Directors recommend the payment of a dividend of 2.25p per ordinary share. This is an increase of 50% on last year's dividend.

Strategic report

Information in respect of the Business Review, Future Outlook of the Business and Principal Risks and Uncertainties are not shown in the Directors' Report because they are presented in the Strategic Report in accordance with s414c(ii) of the Companies Act 2006.

Directors

The Directors who served during the year were as follows:

Clive Watson
Rupert Clark
Alex Derrick (appointed 25 October 2017)
Tarquin Williams
David Bruce (resigned 17 January 2018)
John Roberts
James Watson (resigned 30 September 2017)
Richard Prickett (appointed 25 October 2017)
Neil Griffiths (appointed 17 January 2018)

Going concern

The Directors consider it appropriate to prepare the financial statements on a going concern basis. Cash flow forecasts have been produced to June 2019 that indicate the Group has sufficient headroom to meet its liabilities as they fall due for the foreseeable future. The Group has repaid its borrowings with its bankers, Barclays Bank during the year.

Purchase of own shares

On 25 October 2017 the Company purchased 12,500 of its own shares for £1.82 and 31,250 of its own shares for £1.60, in order to ensure that the issued share capital of the Company matched that of The City Pub Company (West) Limited, which was a company under common control. These shares were then cancelled. The total purchase of its own shares of 43,750 shares represented less than 0.34% of the called up share capital at the time. The shares were re-purchased wholly out of the proceeds of a fresh issue, so no amounts were transferred to a capital redemption reserve.

Other share capital movements are disclosed in Note 22.

Financial risk management objectives and policies

The Group's operations expose it to financial risks that include market risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous periods.

Market risk – cash flow interest rate risk

The Group had no outstanding borrowing at year end as disclosed in note 18. These were loans taken out with Barclays to facilitate the purchase of additional public houses.

The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. At 31 December 2017 the Group had no borrowings, since the year end the Group has drawn down on the revolving credit facility, so is exposed to changes in market interest rates. The exposure to interest rates for the Group's cash at bank and short-term deposits is considered immaterial.

Liquidity risk

The Group actively maintains cash and banking facilities that are designed to ensure it has sufficient available funds for operations and planned expansions.

Capital risk management

The Group manages its capital to ensure it will be able to continue as a going concern while maximising the return to shareholders through optimising the debt and equity balance.

The Group monitors cash balances and prepare regular forecasts, which are reviewed by the board. In order to maintain or adjust the capital structure, the Group may, in the future, return capital to shareholders, issue new shares or sell assets to reduce debt.

Employment policy

The Group's policies respect the individual regardless of gender, race or religion. Where reasonable and practical under the existing legislation, all persons, including disabled persons, have been treated fairly and consistently in matters relating to employment, training and career development. The Group takes a positive view of employee communication and has established systems for employee consultation and communication of developments. The Group has also commenced operating an employee share scheme as a means of further encouraging the employees in the Group's performance.

Directors' Responsibilities Statement

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and the profit and 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 accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs 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 Group will continue in business.

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

So far as each of the Directors is aware, there is no relevant audit information that has not been disclosed to the Group's auditors and each of the Directors believes that all steps have been taken that ought to have been taken to make them aware of any relevant audit information and to establish that the Group's auditors have been made aware of that information.

Relations with Shareholders

The Group maintains effective contact with Shareholders and welcomes contact from investors as mentioned in the Chairman's Statement. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Political donations

The Group made no political donations during the period.

Post balance sheet events

Post balance sheet events requiring adjustment or disclosure are explained within note 29 to the financial statements.

Auditors

Grant Thornton UK LLP have signified their willingness to continue in office as auditors, a resolution reappointing them will be submitted to the Annual General Meeting.

On behalf of the Board

Tarquin Williams

Chief Financial Officer
11 April 2018

INDEPENDENT AUDITOR'S REPORT

for the 53 week period ended 31 December 2017

Independent auditor's report to the members of The City Pub Group plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of The City Pub Group plc (the 'parent company') and its subsidiaries (the 'group') for the period ended 31 December 2017 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated statement of cash flows and the company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's loss for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the 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 as applied to listed entities, 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.

Who we are reporting to

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.

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.

Overview of our audit approach

- Overall materiality: £377,000, using the group's total revenues as a benchmark.
- Key audit matters were identified as: the impairment of property, plant and equipment; the presentation of separately disclosed exceptional items; and equity transactions not being accounted for correctly.
- We performed full scope audit procedures at all material locations.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Impairment of property, plant and equipment As explained in notes 2.16 and 11, the Directors are required to make an impairment assessment for property, plant and equipment when there is an indication that an asset may be impaired. The process for measuring and recognising impairment under International Accounting Standard (IAS) 36 'Impairment of Assets' is complex and highly judgemental. We therefore have identified the assessment of impairment of property, plant and equipment as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Evaluating the accounting policy and disclosures made for compliance with IFRSs as adopted by the EU and ensuring the application by the Group is consistent with the stated policy • Testing the integrity of the data used in the impairment models by agreeing a sample of inputs to source data (such as budgeted EBITDA) and assessing the appropriateness of key assumptions (such as discount rate and growth rates) • Testing the accuracy of management's forecasting through a comparison of historic budgeted amounts to subsequent actuals • Challenging management's impairment model, by using industry data (sector multiples) and other publicly available information to consider the reasonableness of management's assessment of the recoverable amount for sites. The group's accounting policy on the impairment of property, plant and equipment is shown in note 2.16 to the financial statements and related disclosures are included in note 11. **Key observations** Based on our audit work we are satisfied that the judgements made, and assumptions used by management in performing the impairment review were balanced and supported by the evidence obtained from our testing.
Presentation of separately disclosed exceptional items As set out in the consolidated income statement and note 8, the financial statements included a net charge of £3.2m in respect of separately disclosed items. There is significant management judgement in the determination of these items, which are not defined by IFRS's as adopted by the European Union, and reported upon as part of an alternative performance measure within the financial statements. Consistency of presentation is important for maintaining comparability between reported results for each period. We therefore identified the presentation of separately disclosed items as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Agreeing the classification is consistent with the Group's stated accounting policy and is consistent with that presented in prior periods • Testing a sample of the costs and the criteria used by management to determine the classification as a separately disclosed item • Considering whether the classification was appropriate, and the presentation enhanced the clarity and the understanding of the financial statements for the reporting period The company's accounting policy on Exceptional Items is shown in note 2.9 to the financial statements and related disclosures are included in note 8. **Key observations** Based on our audit work we are satisfied that the classification of separately disclosed exceptional items is consistent with the stated accounting policy and that the classification and disclosure of these items is appropriate.
Equity transactions not accounted for properly As set out in notes 2.1, 2.4, 2.12, 8 and 22 the company listed on AIM during the period and the financial statements include the accounting for a share for share exchange, the allocation of IPO costs to both the income statement and equity and the conversion of convertible preference shares to equity. There is significant management judgement in the accounting of these items. We therefore identified the accounting for equity transactions as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Assessing and challenging the accounting and judgements exercised for the share for share exchange, the allocation of IPO costs and the conversion of convertible preference shares. • Testing a sample of IPO costs and their allocation to both the income statement and equity The company's accounting policy on Equity transactions is shown in note 2.12 to the financial statements and related disclosures are included in statement of changes in equity and note 22. **Key observations** Based on our audit work we are satisfied that the judgements made, and assumptions used by management in accounting for equity transactions is appropriate and is supported by the evidence obtained from our testing.

INDEPENDENT AUDITOR'S REPORT CONT'D

for the 53 week period ended 31 December 2017

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality Measure	Group	Parent
Financial statements as a whole	£377,000 using total revenue as a benchmark. This benchmark is considered the most appropriate because revenue best reflects the level of activity of interest to the user of the financial statements whilst the company continues to grow. Materiality for the current year is lower than the level that we determined for the prior period to reflect the change of the group's status from a non-listed group to a listed.	£199,000 using total revenue as a benchmark. This benchmark is considered the most appropriate because revenue best reflects the level of activity of interest to the user of the financial statements whilst the company continues to grow. Materiality for the current year is lower than the level that we determined for the prior period to reflect the change of the company's status from a non-listed group to a listed.
Performance materiality used to drive the extent of our testing	60% of financial statement materiality.	60% of financial statement materiality.
Specific materiality	We also determine a lower level of specific materiality for certain areas such as Directors' remuneration and related party transactions, on the basis that these balances are material by nature.	We also determine a lower level of specific materiality for certain areas such as Directors' remuneration, related party transactions, and cash, on the basis that these balances are material by nature.
Communication of misstatements to the audit committee	£18,850 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£9,900 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

- evaluation by the group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality. Although the Group financial statements are a consolidation of the Parent Company and its trading subsidiaries, 100% of the Group's revenue and 100% of the Group's profit before taxation arose in the Parent Company and in the main trading subsidiary, The City Pub Company (West) Limited, on which we performed comprehensive audit procedures;
- recognition that the Group is organised as one primary operating division. We tested controls over the financial reporting systems identified as part of our risk assessment, reviewed the accounts production process and addressed critical accounting matters. We sought, wherever possible, to rely on the effectiveness of the Group's internal controls in order to reduce substantive testing;
- undertaking controls and substantive testing where applicable on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the design effectiveness of controls over individual systems and the management of specific risks.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, 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 that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

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 under the Companies Act 2006

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 the directors' report.

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 23, 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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Grant Thornton UK LLP

Marc Summers, FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
11 April 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the 53 week period ended 31 December 2017

	Notes	2017 £	2016 £
Revenue	4	**37,403,515**	27,762,513
Costs of sales		**(9,657,731)**	(7,529,656)
Gross profit		**27,745,784**	20,232,857
Administrative expenses		**(27,019,242)**	(18,680,490)
Operating profit		**726,542**	1,552,367
Reconciliation to adjusted EBITDA*			
Operating profit		**726,542**	1,552,367
Depreciation and amortisation	5	**1,963,891**	1,528,660
Share option charge	25	**258,195**	310,479
Exceptional items	8	**3,200,643**	691,185
* **Adjusted earnings before exceptional items, share option charge, interest, taxation, depreciation and amortisation**		**6,149,271**	4,082,691
Finance costs	6	**(986,560)**	(971,415)
(Loss)/profit before tax	5	**(260,018)**	580,952
Tax expense	7	**(456,423)**	(196,680)
(Loss)/profit for the period and total comprehensive income		**(716,441)**	384,272
Earnings per share			
Basic (loss)/earnings per share (p)	10	**(2.45)**	1.49
Diluted (loss)/earnings per share (p)	10	**(2.45)**	1.44

All activities comprise continuing operations.

There are no recognised gains or losses other than those passing through the statement of comprehensive income. The notes form part of these financial statements.

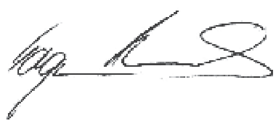
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the 53 week period ended 31 December 2017

	Notes	2017 £	2016 £
Assets			
Non-current			
Intangible assets	11	**2,524,681**	1,359,713
Property, plant and equipment	12	**67,947,419**	50,426,116
Total non-current assets		**70,472,100**	51,785,829
Current			
Inventories	14	**553,909**	466,319
Trade and other receivables	15	**1,652,888**	1,182,942
Cash and cash equivalents		**6,414,854**	1,264,586
Total current assets		**8,621,651**	2,913,847
Total assets		**79,093,751**	54,699,676
Liabilities			
Current liabilities			
Trade and other payables	16	**(6,147,068)**	(4,633,119)
Borrowings	18	**(244,707)**	(294,396)
Total current liabilities		**(6,391,775)**	(4,927,515)
Non-current			
Borrowings	18	**–**	(18,004,917)
Other payables	17	**(310,000)**	(24,978)
Deferred tax liabilities	21	**(1,081,823)**	(534,097)
Total non-current liabilities		**(1,391,823)**	(18,563,992)
Total liabilities		**(7,783,598)**	(23,491,507)
Net assets		**71,310,153**	31,208,169
Equity			
Share capital	22	**28,233,667**	12,934,904
Share premium	22	**31,276,189**	97,000
Convertible preference share (CPS)	22	**–**	5,532,076
Other reserve	22	**92,042**	90,000
Share-based payment reserve	22	**326,364**	798,079
Retained earnings	22	**11,381,891**	11,756,110
Total equity		**71,310,153**	31,208,169

The notes form part of these accounts.

Approved by the Board and authorised for issue on 11 April 2018.



Clive Watson
Chairman

Tarquin Williams
Chief Financial Officer

Company No. 07814568

COMPANY STATEMENT OF FINANCIAL POSITION

for the 53 week period ended 31 December 2017

	Notes	2017 £	2016 £
Assets			
Non-current			
Intangible assets	11	**1,102,295**	407,758
Property, plant and equipment	12	**38,845,198**	25,403,326
Investments in subsidiaries	13	**11,913,696**	250,153
Total non-current assets		**51,861,189**	26,061,237
Current			
Inventories	14	**287,607**	266,826
Trade and other receivables	15	**11,569,904**	793,720
Cash and cash equivalents		**4,536,505**	889,626
Total current assets		**16,394,016**	1,950,172
Total assets		**68,255,205**	28,011,409
Liabilities			
Current liabilities			
Trade and other payables	16	**(3,390,548)**	(2,367,099)
Borrowings	18	**(122,354)**	(147,198)
Total current liabilities		**(3,512,902)**	(2,514,297)
Non-current			
Borrowings	18	**–**	(9,653,732)
Other payables	17	**–**	(12,489)
Deferred tax liabilities	21	**(308,369)**	(290,705)
Total non-current liabilities		**(308,369)**	(9,956,926)
Total liabilities		**(3,821,271)**	(12,471,223)
Net assets		**64,433,934**	15,540,186
Equity			
Share capital	22	**28,233,667**	6,473,702
Share premium	22	**31,276,189**	97,000
Convertible preference share (CPS)	22	**–**	2,766,038
Share-based payment reserve	22	**198,303**	441,174
Retained earnings	22	**4,725,775**	5,762,272
Total equity		**64,433,934**	15,540,186

The loss for the financial period of the Parent Company, The City Pub Group plc was £1,248,607 (2016: profit £31,692).

The notes form part of these accounts.

Approved by the Board and authorised for issue on 11 April 2018.

Clive Watson
Chairman

Tarquin Williams
Chief Financial Officer

Company No. 07814568

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the 53 week period ended 31 December 2017

	Notes	Share capital	Share premium	Convertible preference share ("CPS")	Other reserve	Share-based payment reserve	Retained earnings	Total
Balance at 28 December 2015		12,910,404	–	4,188,716	–	487,600	11,371,838	28,958,558
Employee share-based compensation	25	–	–	–	–	310,479	–	310,479
Issue of convertible preference shares treated as equity	22	–	–	1,343,360	–	–	–	1,343,360
Issue of share capital on private placement	22	24,500	97,000	–	90,000	–	–	211,500
Transactions with owners		24,500	97,000	1,343,360	90,000	310,479	–	1,865,339
Profit for the period		–	–	–	–	–	384,272	384,272
Total comprehensive income for the period		–	–	–	–	–	384,272	384,272
Balance at 25 December 2016		12,934,904	97,000	5,532,076	90,000	798,079	11,756,110	31,208,169
Employee share-based compensation	25	–	–	–	–	258,195	–	258,195
Issue of new shares prior to exchange for shares in subsidiary	22	69,114	–	–	146,948	–	–	216,062
Reclassification of CPS debt on conversion of equity	22	–	(144,906)	4,734,378	(144,906)	–	–	4,444,566
Re-designation of CPS into ordinary shares	22	3,208,268	7,058,186	(10,266,454)	–	–	–	–
Issue of new shares	22	11,455,256	24,904,784	–	–	–	–	36,360,040
Bonus issue of B Shares	22	588,000	(588,000)	–	–	–	–	–
Purchase of own shares	22	(21,875)	(50,875)	–	–	–	–	(72,750)
Share options exercised	25	–	–	–	–	(729,910)	729,910	–
Dividends	9	–	–	–	–	–	(387,688)	(387,688)
Transactions with owners		15,298,763	31,179,189	(5,532,076)	2,042	(471,715)	342,222	40,818,425
Loss for the period		–	–	–	–	–	(716,441)	(716,441)
Total comprehensive income for the period		–	–	–	–	–	(716,441)	(716,441)
Balance at 31 December 2017		**28,233,667**	**31,276,189**	**–**	**92,042**	**326,364**	**11,381,891**	**71,310,153**

The notes form part of these accounts.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the 53 week period ended 31 December 2017

	Notes	Share capital	Share premium	Convertible preference share ("CPS")	Share-based payment reserve	Retained earnings	Total
Balance at 28 December 2015		6,455,202	–	2,094,358	273,400	5,730,580	14,553,540
Employee share-based compensation	25	–	–	–	167,774	–	167,774
Issue of convertible preference shares treated as equity	22	–	–	671,680	–	–	671,680
Issue of share capital on private placement	22	18,500	97,000	–	–	–	115,500
Transactions with owners		18,500	97,000	671,680	167,774	–	954,954
Profit for the period		–	–	–	–	31,692	31,692
Total comprehensive income for the period		–	–	–	–	31,692	31,692
Balance at 25 December 2016		6,473,702	97,000	2,766,038	441,174	5,762,272	15,540,186
Employee share-based compensation	25	–	–	–	163,270	–	163,270
Issue of new shares in exchange for shares in subsidiary	22	6,530,316	–	5,133,227	–	–	11,663,543
Reclassification of CPS debt on conversion of equity	22	–	(144,906)	2,367,189	–	–	2,222,283
Re-designation of convertible preference shares into ordinary shares	19	3,208,268	7,058,186	(10,266,454)	–	–	–
Issue of new shares	22	11,455,256	24,904,784	–	–	–	36,360,040
Bonus issue of B Shares	22	588,000	(588,000)	–	–	–	–
Purchase of own shares	22	(21,875)	(50,875)	–	–	–	(72,750)
Share options exercised	25	–	–	–	(406,141)	406,141	–
Dividends	9	–	–	–	–	(194,031)	(194,031)
Transactions with owners		21,759,965	31,179,189	(2,766,038)	(242,871)	212,110	50,142,355
Loss for the period		–	–	–	–	(1,248,607)	(1,248,607)
Total comprehensive income for the period		–	–	–	–	**(1,248,607)**	**(1,248,607)**
Balance at 31 December 2017		**28,233,667**	**31,276,189**	**–**	**198,303**	**4,725,775**	**64,433,934**

The notes form part of these accounts.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the 53 week period ended 31 December 2017

	Notes	2017 £	2016 £
Cash flows from operating activities			
(Loss)/profit for the period		**(716,441)**	384,272
Taxation	7	**456,423**	196,680
Finance costs	6	**986,560**	971,415
Operating profit		**726,542**	1,552,367
Adjustments for:			
Depreciation and amortisation	5	**1,963,891**	1,528,660
Share-based payment charge	25	**258,195**	310,479
Impairment	12	**450,000**	–
Change in inventories		**(87,590)**	(132,209)
Change in trade and other receivables		**(366,233)**	(358,361)
Change in trade and other payables		**1,252,254**	1,287,921
Cash generated from operations		**4,197,059**	4,188,857
Tax paid		**(150,832)**	21,843
Net cash from operating activities		**4,046,227**	4,210,700
Cash flows from investing activities			
Purchase of property, plant and equipment	12	**(7,610,731)**	(10,306,748)
Acquisition of new property sites	26	**(11,454,000)**	(8,800,000)
Net cash used in investing activities		**(19,064,731)**	(19,106,748)
Cash flows from financing activities			
Proceeds from issue of share capital		**34,678,775**	2,447,030
Repayment of borrowings		**(13,610,040)**	(1,100,000)
Dividends paid	9	**(227,092)**	–
Purchase of own shares		**(72,750)**	–
Proceeds from new borrowings		**–**	13,560,351
Interest paid	6	**(600,121)**	(677,021)
Net cash from financing activities		**20,168,772**	14,230,360
Net change in cash and cash equivalents		**5,150,268**	(665,688)
Cash and cash equivalents at the start of the period		**1,264,586**	1,930,274
Cash and cash equivalents at the end of the period		**6,414,854**	1,264,586

The notes form part of these accounts.

COMPANY STATEMENT OF CASH FLOWS

for the 53 week period ended 31 December 2017

	Notes	2017 £	2016 £
Cash flows from operating activities			
(Loss)/profit for the period		**(1,248,607)**	31,692
Taxation		**200,093**	91,568
Finance costs		**500,958**	487,296
Operating (loss)/profit		**(547,556)**	610,556
Adjustments for:			
Depreciation	12	**1,173,267**	961,756
Share-based payment charge		**163,270**	167,774
Change in inventories		**(20,781)**	(42,206)
Change in trade and other receivables		**(10,755,427)**	(305,099)
Change in trade and other payables		**1,281,743**	298,742
Cash (used in)/generated from operations		**(8,705,484)**	1,691,523
Tax paid		**(101,323)**	21,843
Net cash (used in)/from operating activities		**(8,806,807)**	1,713,366
Cash flows from investing activities			
Purchase of property, plant and equipment	12	**(5,390,676)**	(4,065,123)
Acquisition of new property sites	26	**(8,819,000)**	(4,900,000)
Net cash used in investing activities		**(14,209,676)**	(8,965,123)
Cash flows from financing activities			
Proceeds from issue of share capital		**34,613,877**	1,233,265
Repayment of borrowings		**(7,456,294)**	(1,000,000)
Dividends paid		**(113,733)**	–
Purchase of own shares		**(72,750)**	–
Proceeds from new borrowings		**–**	7,431,449
Interest paid		**(307,738)**	(340,099)
Net cash from financing activities		**26,663,362**	7,324,615
Net change in cash and cash equivalents		**3,646,879**	72,858
Cash and cash equivalents at the start of the period		**889,626**	816,768
Cash and cash equivalents at the end of the period		**4,536,505**	889,626

The notes form part of these accounts.

NOTES TO THE FINANCIAL STATEMENTS

for the 53 week period ended 31 December 2017

1 Company information

The financial statements of The City Pub Group plc (as consolidated "the Group") for the 53 week period ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 11 April 2018. The Company is a public limited company incorporated and domiciled in the UK. The Company number is 07814568 and the registered office is located at Essel House 2nd Floor, 29 Foley Street, London, England, W1W 7TH.

The Group's principal activity is the management and operation of public houses. Information on the Company's ultimate controlling party and other related party relationships is provided in Note 28.

Exemption from audit

For the period ended 31 December 2017 The City Pub Group plc has provided a guarantee in respect of all liabilities due by its subsidiary The City Pub (West) Limited (Company No. 07814571) and Flamequire Limited (Company No. 01834157) thus entitling them to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

2 Significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared on an accruals basis and under the historical cost convention, unless otherwise stated. There is no material difference between the fair value of financial assets and liabilities and their carrying amount.

The Company undertook a common control combination during the year prior to listing on AIM. These consolidated financial statements have been prepared using the predecessor value method, which is described in 2.4 below.

The financial statements are presented in Great British Pounds and all values are rounded to the nearest pound except when otherwise indicated.

As permitted by section 408 of the Companies Act 2006, no separate income statement is presented in respect of the Parent Company.

2.2 Statement of Compliance

The financial statements of the Company and Group are prepared in accordance with applicable International Financial Reporting Standards ("IFRS") as adopted by the European Union.

2.3 New and Revised Standards

IFRS in issue but not applied in the current financial statements

The following IFRS and IFRIC Interpretations have been issued but have not been applied by the Group in preparing these financial statements, as they are not as yet effective. The Group intends to adopt these Standards and Interpretations when they become effective, rather than adopt them early.

- IFRS 9, 'Financial instruments', effective date 1 January 2018
- IFRS 15, 'Revenue from Contracts with Customers', effective date 1 January 2018
- IFRS 16, 'Leases', effective date 1 January 2019
- Disclosure Initiative: Amendments to IAS 7: Statement of Cash Flows (effective: 1 January 2017)
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (effective: 1 January 2017).
- IFRIC 22, 'Foreign Currency Transactions and Advance Consideration (effective: 1 January 2018 and not yet endorsed by the EU).
- "Amendments to IFRS 2 Classification and Measurement of Share Based Payment Transactions", "Amendments to IAS 40 Investment Property and Annual Improvements to IFRS Standards 2014 -2016 Cycle" (Mandatory in 2018 and not endorsed by the EU)
- "Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" (Endorsed by the EU and mandatory in 2018)
- IFRIC 23 "Uncertainty over Income Tax Treatments" (Mandatory in 2019 and not yet endorsed by the EU)
- "Amendments to IFRS 9: Prepayment Features with Negative Compensation", "Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures", "Annual Improvements to IFRS Standards 2015-2017 Cycle" and "Amendments to IAS19 – Plan Amendment, Curtailment or Settlement" (Mandatory in 2019 and not yet endorsed by the EU)
- IFRS 17 "Insurance Contracts" (Mandatory in 2021 and not yet endorsed by the EU)

NOTES TO THE FINANCIAL STATEMENTS CONT'D

for the 53 week period ended 31 December 2017

2 Significant accounting policies continued

2.3 **New and Revised Standards** continued

The above standards are yet to be subject to a detailed review. IFRS 9 will impact both the measurement and disclosure of financial instruments, IFRS 15 is not considered to have a material impact on revenue recognition and related disclosures, given the nature of retail pub sales to the public. IFRS 16 will impact the treatment of leases currently treated as operating leases, but beyond this, it is not practicable to provide a reasonable estimate of the effect of IFRS 16 until a detailed review has been completed.

2.4 **Predecessor value method**

During the period the Company undertook a common control combination, through the issue of new Ordinary Shares, B-Ordinary Shares and Convertible Preference Shares in exchange for 100% of the Ordinary Shares, B Ordinary Shares and Convertible Preference Shares of The City Pub Company (West) Limited an entity under common control. The Directors considered the business combination to be a common control combination, as the combining entities were ultimately controlled by the same parties both before and after the combination and the common control was not transitory.

The share capital and convertible preference shares issued to effect the merger (accounted for under the predecessor value method) had a nominal value of £6,530,316 and £5,133,227 respectively (representing £6,455,202 in respect of shares as at 28 December 2015 and £75,144 subsequent to that date; representing £2,094,358 in respect of the equity element of the CPS as at 28 December 2015 and £3,038,869 subsequent to that date). This results in enlarged share capital and convertible preference share balances for the group of £12,910,404 and £4,188,716 as at 28 December 2015. Replacement share options issued have also been accounted for under the predecessor value method.

As a common control combination, the transaction is outside the scope of IFRS 3 ('Business Combinations') and the Directors have therefore considered the nature of the transaction, which is eligible for Merger Relief under the Companies Act and decided that the predecessor value method would be most appropriate for preparing these Group financial statements.

The predecessor value method involves accounting for the assets and liabilities of the acquired business using existing carrying values rather than at fair values, as a result no goodwill has arisen on the combination. The comparative period has been restated as if the combination had taken place at the beginning of the comparative period, as the Directors consider this to give the user of the financial statements the most meaningful information to assess the performance of the Group.

The use of the predecessor value method has given rise to an "other reserve", which represents the share premium of the subsidiary entity on consolidation.

The financial results of subsidiaries are included in the consolidated financial information from the date that control commences until the date that control ceases. The consolidated financial information presents the results of the companies within the same group. Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial information.

2.5 **Going concern**

The Directors consider it appropriate to prepare the financial statements on a going concern basis. Cash flow forecasts have been produced to June 2019 that indicate the Company has sufficient headroom to meet its liabilities as they fall due for the foreseeable future. The Company has repaid its borrowings with its bankers, Barclays Bank during the year.

2.6 **Revenue**

Revenue represents external sales (excluding taxes) of goods and services net of discounts. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration receivable net of trade discounts and VAT.

Revenue principally consists of drink, food and accommodation sales, which are recognised at the point at which goods and services are provided and rental income which is recognised on a straight line basis over the lease term. Revenue for bedroom accommodation is recognised at the point the services are rendered.

2.7 **Cost of sales**

Costs considered to be directly related to revenue are accounted for as cost of sales. Costs of goods sold are determined on the basis of the cost of purchase, adjusted for movements of inventories. Cost of services rendered is recognised at the time the revenue is recognised.

2.8 **Operating profit**

Operating profit is revenue less operating costs. Revenue is as detailed above and as shown in note 4. Operating costs are all costs excluding finance costs, costs associated with the disposal of properties and the tax charge.

2.9 **Exceptional items**

The Group presents as exceptional items those significant items of income and expense which, because of their size, nature and infrequency of the events giving rise to them merit separate presentation to allow Shareholders to understand better the elements of financial performance in the period, so as to facilitate comparison with prior periods to assess trends in financial performance more readily. These items are primarily pre-opening costs and non-recurring costs, which are not expected to recur. Costs associated with the IPO have been recorded within non-recurring costs.

2.10 **Finance income and expense**

Finance income is recognised as interest accrues (using the effective interest method) on funds invested outside the Group. Finance expense includes the cost of borrowing from third parties and recognised on an effective interest rate basis, resulting from the financial liability being recognised on an amortised cost basis, including commitment fees. Finance expense also includes the accrued dividends on the convertible preference shares ("CPS").

2.11 **Taxation and deferred taxation**

The income tax expense or income for the period is the tax payable on the current period's taxable income. This is based on the national income tax rate enacted or substantively enacted with any adjustment relating to tax payable in previous years and changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applicable when the asset or liability crystallises based on current tax rates and laws that have been enacted or substantively enacted by the reporting date. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of temporary differences can be deducted. The carrying amount of deferred tax assets are reviewed at each reporting date.

2.12 **Financial instruments**

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement financial assets are classified into the following categories upon initial recognition:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Trade and other receivables

Trade and other receivables do not carry any interest and are recognised at their original invoiced amounts, less an allowance for any amounts that are not considered collectible. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit or loss within 'cost of sales'. When a trade or other receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against 'cost of sales' in the profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and other short term highly liquid deposits with original maturities of three months or less.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

for the 53 week period ended 31 December 2017

2 Significant accounting policies continued

2.12 Financial instruments continued

Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include trade and certain other payables. Financial liabilities are measured subsequently at amortised cost using the effective interest rate.

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial period, which are unpaid.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Classification of Shares as Debt or Equity

When shares are issued, any component that creates a financial liability of the Group is presented as a liability in the statement of financial position; measured initially at fair value net of transaction costs and thereafter at amortised cost until extinguished on conversion or redemption. The corresponding dividends relating to the liability component are charged as interest expense in the Income Statement. The initial fair value of the liability component is determined using a market rate for an equivalent liability without a conversion feature.

The remainder of the proceeds on issue is allocated to the equity component and included in shareholders' equity, net of transaction costs.

The carrying amount of the equity component is not remeasured in subsequent years. The Group's ordinary shares are classified as equity instruments. For the purposes of the disclosures given in note 22, the Group considers its capital to comprise its ordinary share capital, share premium and accumulated retained earnings plus its preference shares which are classified as a financial liability in the statement of financial position. There have been no changes to what the Group considers to be capital since the prior year.

Convertible Preference Shares

The Group's convertible preference shares are reported under equity and non-current liabilities, as apportioned on recognition. The corresponding dividends on preference shares are charged as interest in the Income Statement, with any accrued interest recorded as a current liability. Preference shares carry interest at fixed rates. On conversion the equity and non-current liabilities are extinguished in exchange for ordinary shares, with the initial costs of raising the capital incurred on issue being off-set against the share premium. The preference shares have all been converted in the current period.

Share repurchases

Where shares are repurchased wholly out of the proceeds of a fresh issue of shares made for that purpose, no amount needs to be transferred to a capital redemption reserve as there is no reduction in capital as a result of the purchase and issue of shares.

2.13 Business combinations and goodwill

Other than the group reorganisation that took place prior to Listing, business combinations, which include sites that are operating as a going concern at acquisition, are accounted for under IFRS 3 using the purchase method. Any excess of the consideration of the business combination over the interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised in the statement of financial position as goodwill and is not amortised. To the extent that the net fair value of the acquired entity's identifiable assets, liabilities and contingent liabilities is greater than the cost of the investment, a gain is recognised immediately in the profit or loss.

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses. Refer to Note 11 for a description of impairment testing procedures.

2.14 **Property, plant and equipment**

Property, plant and equipment, other than freehold land, are stated at cost or deemed cost less accumulated depreciation and any impairment in value. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, with effect from the first full year of ownership, as follows:

Freehold properties	To residual value over fifty years straight line
Leasehold properties	Straight line over the length of the lease
Fixtures, fittings and equipment	Between four and ten years straight line
Computer equipment	Between two and five years straight line

No depreciation is charged on freehold land. Where there is no depreciation on historic freehold buildings as a result of a high residual value/long useful lives, the freehold building is subject to an impairment review. Residual values and useful lives are reviewed every year and adjusted if appropriate at each financial period end.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit or loss.

2.15 **Investments in subsidiaries**

The Company recognises its investments in subsidiaries at cost, less any provisions for impairment. Income is recognised from these investments only in relation to distributions received from post-acquisition profits. Distributions received in excess of post-acquisition profits are deducted from the cost of the investment.

2.16 **Impairment of goodwill, property, plant and equipment and investments in subsidiaries**

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of a related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's (or cash-generating unit's) carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

2.17 **Inventories**

Inventories are counted independently and stated at the lower of cost and net realisable value. Cost is calculated using the First In First Out method. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell.

2.18 **Leasing**

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. These are the only types of lease utilised by the entity. Operating lease payments for assets leased from third parties are charged to profit or loss on a straight line basis over the period of the lease, on an accrued basis.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

for the 53 week period ended 31 December 2017

2 Significant accounting policies continued

2.19 Share-based employee remuneration

The Company operates equity-settled share-based remuneration plans for its employees. None of the Company's plans are cash-settled.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values.

Where employees are rewarded using share-based payments, the fair value of employees' services is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions). The fair value is determined by using the Black-Scholes method.

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to share based payments reserve. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any adjustment to cumulative share-based compensation resulting from a revision is recognised in the current period. The number of vested options ultimately exercised by holders does not impact the expense recorded in any period.

Upon exercise of share options, the proceeds received, net of any directly attributable transaction costs, are allocated to share capital up to the nominal (or par) value of the shares issued with any excess being recorded as share premium.

3 Significant estimates and judgements

The judgements, estimates and assumptions, which are considered to be significant, are as follows:

The selection of the predecessor value method, rather than the acquisition method, for accounting for the common control combination was a significant judgement for the directors. The predecessor value method was considered to better reflect the nature of the common control combination, which met the requirements for Merger Relief under the Companies Act 2006, and is considered to give users of the financial statements better comparability for assessing the performance of the combined businesses.

The Group determines whether goodwill is impaired on an annual basis and this requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. This involves estimation of future cash flows and choosing a suitable discount rate. Full details are supplied in note 11, together with an analysis of the key assumptions.

The assessment of fair values for the assets and liabilities recognised in the financial statements on the acquisition of a business and additional consideration, and the date that control is obtained, require significant judgement and estimate. Management assess fair values, particularly for property, plant and equipment, with reference to current market prices. See note 26 for business combinations and property purchases made in the year.

4 Segmental analysis

The Group focuses its internal management reporting predominantly on revenue, adjusted EBITDA (being earnings before exceptional items, share option charge, interest, taxation, depreciation and amortisation) and operating profit.

The Chief Operating Decision Maker ("CODM") receives information on each pub and each pub is considered to be an individual operating segment. In line with IFRS 8, each operating segment has the same characteristics and therefore the pubs are aggregated to form the reportable segment below.

Revenue, and all the Group's activities, arise wholly from the sale of goods and services within the United Kingdom. All the Group's non-current assets are located in the United Kingdom.

Revenue arises wholly from the sale of goods and services within the United Kingdom.

	2017 £	2016 £
Revenue	**37,403,515**	27,762,513
Cost of sales	**(9,657,731)**	(7,529,656)
Gross profit	**27,745,784**	20,232,857
Operating expenses:		
• operating expenses before adjusting items	**(21,596,513)**	(16,150,166)
Adjusted EBITDA	**6,149,271**	4,082,691
• Depreciation and amortisation	**(1,963,891)**	(1,528,660)
• Share option charge	**(258,195)**	(310,479)
• exceptional items	**(3,200,643)**	(691,185)
Total operating expenses	**(27,019,242)**	(18,680,490)
Operating profit	**726,542**	1,552,367

5 (Loss)/profit on ordinary activities before taxation

The (loss)/profit on ordinary activities before taxation is stated after charging/(crediting):

	2017 £	2016 £
Costs of inventories recognised as an expense	**10,412,084**	7,963,682
Staff costs (note 23)	**14,003,402**	10,848,862
Depreciation	**1,963,891**	1,528,660
Fees payable to the company's auditor for the audit of the company's financial statements	**52,500**	65,000
Fees payable to the company's auditor for the audit of the group financial statement	**10,000**	–
Tax compliance	**15,661**	10,225
Tax advisory services	**56,948**	27,302
Corporate finance services	**185,988**	–
Exceptional costs (note 8)	**3,200,643**	691,185
Operating leases – land and buildings	**1,256,182**	962,350

NOTES TO THE FINANCIAL STATEMENTS CONT'D

for the 53 week period ended 31 December 2017

6 Interest payable and similar charges

	2017 £	2016 £
On bank loans and overdrafts	**417,952**	380,067
On CPS and other loans	**323,901**	296,952
Accrued dividend on CPS	**244,707**	294,396
	986,560	971,415

During the period, no interest was capitalised; (2016: £nil).

The accrued dividend on the CPS was paid in January 2018.

7 Tax charge on (loss)/profit on ordinary activities

(a) Analysis of tax charge for the period

The tax charge for the Group is based on the profit for the period and represents:

	2017 £	2016 £
Current income tax:		
Current income tax charge	**335,014**	35,498
Adjustments in respect of previous period	**44,114**	(21,843)
Total current income tax	**379,128**	13,655
Deferred tax:		
Origination and reversal of temporary differences	**85,229**	192,364
Adjustments in respect of deferred tax of previous period	**(7,934)**	(400)
Change in corporation tax rate	**–**	(8,939)
Total deferred tax	**77,295**	183,025
Total tax	**456,423**	196,680

(b) Factors affecting total tax for the period

The tax assessed for the period differs from the standard rate of corporation tax in the United Kingdom 19.25% (2016: 20.00%). The differences are explained as follows:

	2017 £	2016 £
(Loss)/profit on ordinary activities before tax	**(260,018)**	580,952
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 19.25% (2016: 20.0%)	**(50,054)**	116,190
Effect of:		
Fixed asset differences	**53,187**	(26,732)
Items not deductible for tax purposes	**598,830**	184,754
Adjustment in respect of previous periods	**44,114**	(21,843)
Adjustment in respect of previous periods – deferred tax	**(7,934)**	(400)
Share options tax deduction	**(181,720)**	–
Change in corporation tax rate	**–**	(55,289)
Total tax charge	**456,423**	196,680

8 Exceptional items

	2017 £	2016 £
Pre opening costs	**852,718**	574,688
Impairment of a pub site	**450,000**	–
Other non recurring items	**1,897,925**	116,497
	3,200,643	691,185

Other non-recurring items include IPO costs expensed totalling £1,841,190 for the period ended 31 December 2017.

9 Dividends

Dividends paid during the reporting period

The Board declared its maiden dividend of 1.5p per share 50p Ordinary share for shareholders on the share register as at 31 May 2017, which was approved at the Annual General Meeting and paid on 30 June 2017. The dividend per share was the same for The City Pub Company (West) Limited and in total the dividend was £387,688.

Dividends not recognised at the end of the reporting period

Since the year end, the Directors have proposed the payment of a dividend in respect of the full financial year of 2.25p per fully paid Ordinary share (2016: 1.5p). The aggregate amount of the proposed dividend expected to be paid out of retained earnings at 2 July 2018, but not recognised as a liability at the year end, is £1,270,515 (2016: £387,688).

10 Earnings per share

	2017 £	2016 £
(Loss)/earnings for the period attributable to Shareholders	**(716,441)**	384,272
(Loss)/earnings per share:		
Basic (loss)/earnings per share (p)	**(2.45)**	1.49
Diluted (loss)/earnings per share (p)	**(2.45)**	1.44

Weighted average number of shares:	**Number of shares**	Number of shares
Weighted average shares for basic EPS	**29,189,803**	25,820,809
Effect of share options in issue	**n/a**	886,428
Weighted average shares for diluted earnings per share	**n/a**	26,707,237

NOTES TO THE FINANCIAL STATEMENTS CONT'D

for the 53 week period ended 31 December 2017

11 Goodwill

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Cost brought forward	1,359,713	1,359,713	407,758	407,758
Additions	1,164,968	–	694,537	–
At end of period	2,524,681	1,359,713	1,102,295	407,758
Amortisation/impairment brought forward	–	–	–	–
Provided during the period	–	–	–	–
Disposal	–	–	–	–
At end of period	–	–	–	–
Net book value at end of period	2,524,681	1,359,713	1,102,295	407,758
Net book value at start of period	1,359,713	1,359,713	407,758	407,758

The carrying value of goodwill included within the Group statement of financial position is £2,524,681 (Company: £1,102,295), which is allocated to the cash-generating unit ("CGU") of groupings of public houses as follows:

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Freehold	2,072,198	1,037,231	704,262	139,726
Leasehold	452,483	322,482	398,033	268,032
	2,524,681	1,359,713	1,102,295	407,758

The CGU's recoverable amount has been determined as the higher of its fair value less costs to sell and value in use based on an internal discounted cash flow evaluation.

The fair value less costs to sell is calculated based on the market value of the associated property and the discounted operating cash flows based on management's forecasts.

For the 53 week period ended 31 December 2017, the cash-generating unit recoverable amount was determined based on value-in-use calculations, using cash flow projections based on one year budgets, extrapolated into perpetuity for freehold properties and for the length of the lease for leasehold properties (with key assumptions for both CGU's being the long-term growth rate of 2% and pre-tax discount rate of 10%). Cash flows for the businesses are based on management forecasts, which are approved by the Board and reflect management's expectations of sales growth, operating costs and margin based on past experience and anticipated changes in the local market places.

Sensitivity to changes in key assumptions: impairment testing is dependent on management's estimates and judgements, in particular in relation to the forecasting of future cash flows, the long-term growth rate and the discount rate applied to the cash flows.

The calculations show that a reasonably possible change, as assessed by the directors, would not cause the carrying amount of the CGU to exceed its recoverable amount.

12 Property, plant and equipment

Group	Freehold & leasehold property £	Fixtures, fittings and computers £	Total £
Cost			
At 28 December 2015	28,302,765	8,085,317	36,388,082
Additions	6,521,782	3,782,292	10,304,074
Acquisitions	8,800,000	–	8,800,000
At 25 December 2016	**43,624,547**	**11,867,609**	**55,492,156**
Additions	4,654,086	2,956,645	7,610,731
Acquisitions (Note 26)	11,309,465	1,014,998	12,324,463
At 31 December 2017	**59,588,098**	**15,839,252**	**75,427,350**
Depreciation			
At 28 December 2015	1,052,447	2,484,933	3,537,380
Provided during the period	205,275	1,323,385	1,528,660
Reclassification	(338,937)	338,937	–
At 25 December 2016	**918,785**	**4,147,255**	**5,066,040**
Provided during the period	276,296	1,687,595	1,963,891
Impairment	237,000	213,000	450,000
At 31 December 2017	**1,432,081**	**6,047,850**	**7,479,931**
Net book value			
At 31 December 2017	**58,156,017**	**9,791,402**	**67,947,419**
At 25 December 2016	42,705,762	7,720,354	50,426,116
At 28 December 2015	27,250,318	5,600,384	32,850,702

During the period ended 31 December 2017 the group has made a provision for impairment against a Pub Site in Bristol, due to poor performance and it has been reduced to its fair value less costs to sell. The fair value less costs to sell represents a Level 3 fair value measurement, with the asset being held at its recoverable amount of £200,000.

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for the 53 week period ended 31 December 2017

12 Property, plant and equipment continued

Company	Freehold & leasehold property £	Fixtures, fittings and computers £	Total £
Cost			
At 28 December 2015	13,602,321	6,029,808	19,632,129
Additions	2,747,939	1,317,184	4,065,123
Acquisitions	4,900,000	–	4,900,000
At 25 December 2016	**21,250,260**	**7,346,992**	**28,597,252**
Additions	3,351,534	2,039,142	5,390,676
Acquisitions (Note 26)	8,209,465	1,014,998	9,224,463
At 31 December 2017	**32,811,259**	**10,401,132**	**43,212,391**
Depreciation			
At 28 December 2015	351,662	1,880,508	2,232,170
Provided during the period	120,949	840,807	961,756
At 25 December 2016	**472,611**	**2,721,315**	**3,193,926**
Provided during the period	183,979	989,288	1,173,267
At 31 December 2017	**656,590**	**3,710,603**	**4,367,193**
Net book value			
At 31 December 2017	**32,154,669**	**6,690,529**	**38,845,198**
At 25 December 2016	20,777,649	4,625,677	25,403,326
At 28 December 2015	13,250,659	4,149,300	17,399,959

13 Investments in subsidiaries

Company	2017 £	2016 £
At start of period	**250,153**	250,153
Additions	**11,663,543**	–
At 31 December 2017	**11,913,696**	250,153

During the year the Company entered into a Scheme of Arrangement to acquire 100% of the Ordinary Shares, 100% of the Ordinary B Shares and 100% of the Convertible Preference Shares of The City Pub Company (West) Limited in exchange for the issue of the same number and type of new shares by the Company, see note 22 for further information.

The Company had the following subsidiary undertakings as at 31 December 2017:

Name of subsidiary	Class of share held	Country of incorporation	Proportion held	Nature of business
The City Pub Company (West) Limited	Ordinary	England and Wales	100%	Management and operation of public houses
The Fat Pheasant Pub Company Limited	Ordinary	England and Wales	100%	Dormant
Ace High Enterprises Limited	Ordinary	England and Wales	100%	Dormant
Flamequire Limited*	Ordinary	England and Wales	100%	Dormant
Inn on the Beach Limited*	Ordinary	England and Wales	100%	Dormant

The above companies all had the same registered office as the parent company, being Essel House, 2nd Floor, 29 Foley Street, London, W1W 7TH.

* These companies are held indirectly through the Company's 100% subsidiary The City Pub Company (West) Limited.

14 Inventories

	Group 2017 £	Group 2016 £	**Company 2017 £**	Company 2016 £
Finished goods and goods for resale	**553,909**	466,319	**287,607**	266,826

15 Trade and other receivables

	Group 2017 £	Group 2016 £	**Company 2017 £**	Company 2016 £
Trade receivables	**133,520**	106,057	**66,483**	31,471
Other receivables	**510,946**	406,160	**230,261**	350,631
Amounts due from group undertakings	**–**	–	**10,687,384**	–
Prepayments and accrued income	**1,008,422**	670,725	**585,776**	411,618
	1,652,888	1,182,942	**11,569,904**	793,720

16 Current trade and other payables

	Group 2017 £	Group 2016 £	**Company 2017 £**	Company 2016 £
Trade payables	**2,216,492**	2,541,494	**1,244,213**	1,040,107
Corporation taxation	**367,506**	35,498	**116,637**	14,774
Other taxation and social security	**1,563,842**	914,719	**680,191**	387,654
Amounts due to group undertakings	**–**	–	**250,153**	250,153
Accruals	**1,441,726**	918,607	**839,156**	532,028
Other payables (note 17)	**557,502**	222,801	**260,198**	142,383
	6,147,068	4,633,119	**3,390,548**	2,367,099

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for the 53 week period ended 31 December 2017

17 Non-current other payables

	Group 2017 £	Group 2016 £	**Company 2017 £**	Company 2016 £
Trail commissions	**–**	24,978	**–**	12,489
Deferred consideration	**310,000**	–	**–**	–
	310,000	24,978	**–**	12,489

Deferred consideration has arisen in relation to the acquisition of the Old Fire House, see note 26, with the £155,000 due within one year included within other payables.

18 Borrowings and financial liabilities

	Group 2017 £	Group 2016 £	**Company 2017 £**	Company 2016 £
Current borrowings and financial liabilities:				
CPS dividend payable	**244,707**	294,396	**122,354**	147,198
	244,707	294,396	**122,354**	147,198
Non-current borrowings and financial liabilities:				
Bank loans	**–**	13,560,351	**–**	7,431,449
Debt element of the CPS	**–**	4,444,566	**–**	2,222,283
	–	18,004,917	**–**	9,653,732

At 31 December 2017 a bank loan of £nil (2016: £13,700,000) was outstanding, as the loans were repaid during the year. In 2016 Barclays Bank PLC had a fixed charge over certain freehold property as security in respect of this loan. Interest was charged at LIBOR plus a margin, which varied dependent on the ratio of net debt to EBITDA. The loan was repayable in June 2021. More details of the terms of the Convertible Preference Shares are disclosed in note 22.

The accrued dividend on the CPS was paid in January 2018.

19 Financial instruments and risk management

Financial instruments by category:

	Group 2017 £	Group 2016 £	**Company 2017 £**	Company 2016 £
Financial assets – loans and receivables				
Trade and other receivables	**644,466**	512,217	**296,744**	382,102
Amounts due from group undertakings	**–**	–	**10,687,384**	–
Cash and cash equivalents	**6,414,854**	1,264,586	**4,536,505**	889,626
	7,059,320	1,776,803	**15,520,633**	1,271,728

Prepayments are excluded, as this analysis is required only for financial instruments.

Financial liabilities – held at amortised cost	**Group 2017 £**	Group 2016 £	**Company 2017 £**	Company 2016 £
Non-current				
Borrowings	**–**	18,004,917	**–**	9,653,732
Other payables	**310,000**	24,978	**–**	12,489
	310,000	18,029,895	**–**	9,666,221
Current				
Current borrowings	**244,707**	294,396	**122,354**	147,198
Trade and other payables	**2,773,994**	2,764,295	**1,504,411**	1,182,490
Amounts due to group undertakings	**–**	–	**250,153**	250,153
	3,018,701	3,058,691	**1,876,918**	1,579,841

Statutory liabilities and deferred income are excluded from the trade payables balance, as this analysis is required only for financial instruments.

There is no material difference between the book value and the fair value of the financial assets and financial liabilities disclosed above.

The Group's operations expose it to financial risks that include market risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous periods.

Cash at bank and short-term deposits	**Group 2017 £**	Group 2016 £	**Company 2017 £**	Company 2016 £
A1	**6,336,686**	1,203,698	**4,495,940**	857,710
Not rated	**78,168**	60,888	**40,565**	31,916
	6,414,854	1,264,586	**4,536,505**	889,626

A1 rating means that the risk of default for the investors and the policy holder is deemed to be very low.
Not rated balances relate to petty cash amounts.

Market risk – cash flow interest rate risk
The Group had no outstanding borrowing at year end as disclosed in note 18. These were loans taken out with Barclays to facilitate the purchase of additional public houses.

The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. At 31 December 2017, the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. Other borrowings are at fixed interest rates. The exposure to interest rates for the Group's cash at bank and short-term deposits is considered immaterial.

Credit risk
The risk of financial loss due to a counter party's failure to honour its obligations arises principally in relation to transactions where the Group provides goods and services on deferred payment terms and deposits surplus cash.

Group policies are aimed at minimising losses and deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures. Individual customers are subject to credit limits to control debt exposure. Credit insurance is taken out where appropriate for wholesale customers and goods may also be sold on a cash with order basis.

Cash deposits with financial institutions for short periods are only permitted with financial institutions approved by the Board. There are no significant concentrations of credit risk within the Group. The maximum credit risk exposure relating to financial assets is represented by their carrying value as at the financial period end.

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for the 53 week period ended 31 December 2017

19 Financial instruments and risk management continued

Liquidity risk

The Group actively maintains cash and banking facilities that are designed to ensure it has sufficient available funds for operations and planned expansions. The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the period end date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group	Less than 1 year £	Between 1 and 2 years £	Between 2 and 5 years £	Over 5 years £
As at 31 December 2017:				
Borrowings	**244,707**	**–**	**–**	**–**
Trade and other payables	**2,773,994**	**310,000**	**–**	**–**
As at 25 December 2016:				
Borrowings	294,396	–	13,560,351	4,444,566
Trade and other payables	2,764,295	24,978	–	–

Company	Less than 1 year £	Between 1 and 2 years £	Between 2 and 5 years £	Over 5 years £
As at 31 December 2017:				
Borrowings	**122,354**	**–**	**–**	**–**
Trade and other payables	**1,754,564**	**–**	**–**	**–**
As at 25 December 2016:				
Borrowings	147,198	–	7,431,449	2,222,283
Trade and other payables	1,432,643	12,489	–	–

Capital risk management

The Group manages its capital to ensure it will be able to continue as a going concern while maximising the return to shareholders through optimising the debt and equity balance.

The Group monitors cash balances and prepare regular forecasts, which are reviewed by the board. In order to maintain or adjust the capital structure, the Group may, in the future, return capital to shareholders, issue new shares or sell assets to reduce debt.

20 Fair value measurements of financial instruments

Financial assets and financial liabilities measured at fair value are required to be grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: unobservable inputs for the asset or liability.

There were no financial asset or liabilities measured at fair value as at 29 December 2015, 25 December 2016 or 31 December 2017.

21 Deferred tax

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Provision for deferred tax				
Accelerated capital allowances	**611,392**	534,097	**308,369**	290,705
Arising on acquisition	**470,431**	–	**–**	–
	1,081,823	534,097	**308,369**	290,705
Provision at the start of the period	**534,097**	351,072	**290,705**	192,068
Arising on acquisition	**470,431**	–	**–**	–
Deferred tax charge for the period	**77,295**	183,025	**17,664**	98,637
Provision at 25 December 2017	**1,081,823**	534,097	**308,369**	290,705

22 Share capital

	2017 £	2016 £
Allotted called up and fully paid		
56,467,333 Ordinary shares of 50 pence each: (2016: 25,845,809)	**28,233,667**	12,922,904
Nil Ordinary B shares of 1 pence each: (2016: 1,200,000)	**–**	12,000
Nil CPS of 50 pence each: (2016: 20,532,906)	**–**	10,266,453

The prior period share capital is equal to the enlarged share capital, in accordance with accounting for the common control combination using the predecessor value method.

During the period from the beginning of the year to 25 October 2017 the Company issued 156,977 ordinary shares of £0.50 at £1.60 per share, with the premium credited to the share premium account. During which time The City Pub Company (West) Limited issued 138,227 Ordinary shares of £0.50 each at £1.60 per share net of trail commissions of £5,102. The Company then purchased back 12,500 shares for £1.82 and 31,250 shares for £1.60, in order to ensure that the issued share capital of the Company matched that of The City Pub Company (West) Limited, which was a company under common control.

As at 1 November 2017 the Company then entered into a Scheme of Arrangement whereby it issued: 13,048,632 new Ordinary shares of £0.50 each; 600,000 new Ordinary B Shares of £0.01 each and 10,266,453 convertible preference shares of £0.50 each, all issued at their nominal value with no premium, in exchange for ownership of the same number and profile of shares in The City Pub Company (West) Limited. This resulted in the Company owning 100% of the Ordinary shares, Ordinary B shares and CPS of The City Pub Company (West) Limited.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

for the 53 week period ended 31 December 2017

22 Share capital continued

On 7 November 2017 the Company issued 644,123 new Ordinary shares of £0.50 each at a price of £1.5525 per share, with the premium credited to the share premium account, as part of the consideration of the acquisition of Aragon House – see note 26.

As part of the Listing on 23 November 2017 the following share transactions occurred:

- 291,176 Ordinary shares of £0.50 were issued at a price of £1.70 per share to certain Directors in lieu of bonuses, with the premium credited to the share premium account.
- A bonus issue of 58,800,000 new Ordinary B shares were issued to the existing holders of the Ordinary B shares, with the debit made to the share premium account.
- 1,230,000 Ordinary shares of £0.50 were issued at their exercise prices ranging from £0.50 to £1.20 – resulting in a premium of £539,000 being credited to the share premium account.
- The 60,000,000 Ordinary B shares of £0.01 were then divided into 1,200,000 Ordinary B shares of £0.50 per share and re-designated as Ordinary Shares of £0.50.
- The Company re-designated 20,532,906 preference shares of £0.50 each fully paid in the capital of the Company into 6,416,534 ordinary shares of £0.50 each and 705,818,600 Deferred Shares of £0.01 each on the basis of 1 ordinary share of £0.50 each with the balance remaining into deferred shares of £0.01 each for every 3.2 preference shares of £0.50 each held.
- The Company purchased the 705,818,600 deferred shares of £0.01 each arising on the redesignation of the preference shares referred to above for an aggregate consideration of £0.01.
- 20,588,236 new Ordinary shares of £0.50 per share were issued as part of the IPO at a price of £1.70 per share. The premium, less the share issue costs totalling £1,540,124, was credited to the share premium account.

Share capital, net of issue costs has been split between equity and debt as follows:

	2017 £	2016 £
Equity Shares		
Ordinary shares of 50 pence each	**28,233,667**	12,922,904
Ordinary B shares of 1 pence each	–	12,000
Total share capital	**28,233,667**	12,934,904
Convertible preference shares	–	5,532,076
Shares classified as financial liabilities		
Debt element of CPS	–	4,444,566

The ordinary shareholders are entitled to be paid a dividend out of any surplus profits and to participate in surplus assets on winding up in proportion to the nominal value of each class of share. All equity shares in the Company carry one vote per share.

The B Ordinary shareholders were not entitled to any rights in relation to any dividend, but were entitled to vote upon any resolution at general meetings.

The ordinary share capital account represents the amount subscribed for shares at nominal value.

	Ordinary shares Number	Ordinary B shares Number	Convertible preference shares Number
At 28 December 2015	25,820,809	–	15,846,906
Issue of share capital – CPS	–	–	4,686,000
Issue of share capital – Ordinary B shares	–	1,200,000	–
Issue of share capital – share options exercised	25,000	–	–
At 25 December 2016	**25,845,809**	**1,200,000**	**20,532,906**
Issue of new ordinary shares prior to scheme of arrangement	295,205	–	–
Purchase of ordinary shares prior to scheme of arrangement	(43,750)	–	–
Issue of new ordinary shares as part of consideration for Aragon House	644,123	–	–
Issue of new ordinary shares in lieu of Directors' bonuses	291,176	–	–
Issue of new ordinary shares on conditional exercise of share options	1,230,000	–	–
Net impact of bonus issue of 58,800,000 £0.01 ordinary B shares, followed by subdivision to £0.50 shares and re-designation to ordinary shares	1,200,000	(1,200,000)	–
Net impact of re-designation of 6,416,534 CPS as Ordinary Shares and subdivision of remaining 14,116,372 CPS into 705,818,600 £0.01 deferred shares and subsequent buy back of the deferred £0.01 shares	6,416,534	–	(20,532,906)
Issue of new ordinary shares on IPO	20,588,236	–	–
At 31 December 2017	**56,467,333**	**–**	**–**

Nature and purpose of reserves
The share premium account represents premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Convertible Preference Shares represents the element of the financial instruments treated as equity.

The other reserve has arisen from using the predecessor value method to combine the results of the Company and its subsidiary The City Pub Company (West) Limited, which was acquired through a share for share exchange as part of the reorganisation of two entities under common control prior to the Company's Listing on AIM. The reserve represents the share premium that exists within The City Pub Company (West) Limited.

Share-based payments reserve is used to recognise the grant date fair value of options issued to employees but not exercised.

Retained earnings include all results as disclosed in the statement of comprehensive income.

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for the 53 week period ended 31 December 2017

23 Staff costs

Number of employees

The average monthly numbers of employees (including salaried Directors) during the period was:

	2017	2016
Management and Administration	61	48
Operation of Public Houses	462	344
	523	392

Employment costs (including Directors)

	2017 £	2016 £
Wages and salaries	12,882,845	9,853,586
Social security costs	862,362	684,797
Share options	258,195	310,479
	14,003,402	10,848,862

24 Directors' remuneration

Single total figure of remuneration table

The following table shows a breakdown of the remuneration of individual Directors who served in all or part of the year:

	Salary/Fees		Annual Bonus		IPO Bonus**		Taxable Benefits		Other*/Pension		Total	
	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000
Clive Watson	101	95	136	103	254	–	3	3	271	–	765	201
Alex Derrick	101	95	147	92	180	–	5	–	209	–	642	187
Rupert Clark	101	95	155	113	240	–	4	1	209	–	709	209
Tarquin Williams	86	80	71	21	128	–	2	1	1	–	288	102
David Bruce	43	42	41	35	56	–	–	–	–	–	140	77
John Roberts	28	27	30	35	42	–	–	–	41	41	141	103
James Watson	17	23	–	7	–	–	–	–	–	–	17	30
Richard Prickett	8	–	–	–	–	–	–	–	–	–	8	–
Total	485	457	580	406	900	–	14	5	731	41	2,710	909

** The IPO bonus was paid out 45% in cash and 55% in shares at the time of the IPO at the placing price of £1.70.

* Other includes the gain on the exercise of the EMI share options at the time of the IPO.

Emoluments in respect of the Directors are as follows:

	2017 £	2016 £
Remuneration for qualifying services	2,710,080	909,675

The highest paid Director in the period received remuneration of £765,414; (2016: £208,792). Four directors had equity settled share options in issue at the period end (2016: Four). Additional information on Directors' remuneration is given within the Corporate Governance Report on page 19.

25 Share-based payments

The Group operates an equity settled share option plan known as the Enterprise Management Incentive Share Option Plan. The Group is required to reflect the effects of share-based payment transactions in profit or loss and in its statement of financial position. For the purposes of calculating the fair value of share options granted, the Black Scholes Pricing Model has been used by the Group. Fair values have been calculated on the date of grant. A key input into the model is the share price, on the date of grant of the options. The share price has been estimated based on the most recent subscription for shares.

There were no new share options granted in 2017. A charge of £258,195 (2016: £310,479) has been reflected in the consolidated statement of comprehensive income. A transfer has been made between the share based payment reserve and the retained earnings in respect of the EMI share options that have been exercised during the year.

There were no options granted in 2017. The fair value of options granted in the prior year and the assumptions used in the calculation are shown below:

Year of grant	2016
Exercise price (£)	1.00
Number of options granted	1,230,000
Vesting period (years)	3
Option life (years)	10
Risk free rate	4%
Volatility	50%
Fair value (£)	0.75

During the period no options were granted as summarised in the table below:

	2017 Number of Options	**2017 Weighted average exercise price £**	2016 Number of Options	2016 Weighted average exercise price £
Outstanding at start of period	**2,447,500**	**0.97**	2,555,000	0.98
Granted	**–**	**–**	–	–
Exercised	**(1,230,000)**	**0.95**	(25,000)	0.78
Expired	**(175,000)**	**0.99**	(82,500)	1.01
Outstanding at 31 December 2017	**1,042,500**	**1.00**	2,447,500	0.97
Exercisable at 31 December 2017	**–**	**–**	760,000	0.78

NOTES TO THE FINANCIAL STATEMENTS CONT'D

for the 53 week period ended 31 December 2017

26 Business combinations

In February 2017, the Group (through CPCE) completed on the leasehold of Grapes in Oxford for the amount of £150,000 and the leasehold of the Three Crowns, Shoreditch for £569,000.

In June the Group (through CPCE) acquired Red Lion in Cambridge for £1,450,000, comprising £1,350,000 in cash and £100,000 in shares.

The Group (through CPCW) also acquired Old Fire House in Exeter in July 2017, which started trading straight away, for consideration of £3,100,000. £2,635,000 was paid on completion, with £155,000 payable on the first anniversary of completion and the final £310,000 payable on the second anniversary.

The Group (through CPCE) completed on the acquisition of Aragon House which is a freehold pub for £7,750,000,comprising £4,750,000 in cash and deferred consideration of £3,000,000 of which £2,000,000 was paid in cash during the period and £1,000,000 issued in shares on 7 November 2017 (see note 22).

All of the above acquisitions were part of the Group's continuing strategy to expand its pub portfolio via selective quality acquisitions. Material acquisitions are disclosed below.

	Group 2017 £	Company 2017 £
Provisional fair value:		
Property, plant and equipment acquired	**12,324,463**	**9,224,463**
Deferred tax liability	**(470,431)**	**–**
Goodwill	**1,164,968**	**694,537**
Total	**13,019,000**	**9,919,000**
Satisfied by:		
Cash	**11,454,000**	**8,819,000**
Shares	**1,100,000**	**1,100,000**
Deferred consideration	**465,000**	**–**
Total	**13,019,000**	**9,919,000**

	Red Lion	Aragon House	Old Fire House
Provisional fair value:			
Property, plant and equipment acquired	1,225,000	7,410,464	3,100,000
Deferred tax liability	–	–	(470,431)
Goodwill	225,000	339,536	470,431
Total	1,450,000	7,750,000	3,100,000
Satisfied by:			
Cash	1,350,000	6,750,000	2,635,000
Shares	100,000	1,000,000	–
Deferred consideration	–	–	465,000
Total	**1,450,000**	**7,750,000**	**3,100,000**

All other pub acquisitions have been accounted for as property acquisitions.

27 Financial commitments

The Group had commitments under non-cancellable operating leases in respect of land and buildings. The Group's future minimum operating lease payments are as follows:

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Within one year	**1,167,053**	987,053	**954,553**	679,553
Between one and five years	**4,668,212**	3,948,212	**3,818,212**	2,718,212
After five years	**12,816,510**	12,161,995	**11,171,510**	8,594,995
	18,651,775	17,097,260	**15,944,275**	11,992,760

Commercial operating leases are typically for 15 to 25 years, although certain leases have lease periods extending up to 99 years.

28 Ultimate controlling party and related party transactions

(i) Ultimate controlling party and related party transactions

The Directors consider there to be no ultimate controlling party. The following related party transactions took place during the period:

£10,400; 2016: £6,602 was paid to Helen Watson, who is related to Clive Watson. At the period end Helen Watson was owed £nil (2016: £nil).

During the period the Group made a contribution of £10,000 to Alex Derrick in relation to office support.

As disclosed in note 15 the Company is owed £10,687,384 (2016: £113,618 included in other receivables) by its subsidiary undertaking CPCW.

(ii) Remuneration of Key Management Personnel

The Company consider that the Directors are their key management personnel and further detail of their remuneration is disclosed in note 24.

No key personnel other than the directors have been identified in relation to the periods ended 31 December 2017 and 25 December 2016.

29 Post balance sheet events

In January 2018 the Group completed on a former Lloyds bank site in Reading for the consideration of £2,720,000. The site will require significant investment and will start trading toward the end of 2018.

Also in January the Group completed on the Belle Vue, a freehold pub in Clapham for the consideration of £2,875,000. Following a minor refurbishment the site reopened for trading towards the end of February.

In February 2018 the Group completed on the leasehold of a site at Cambridge station. The site will be fitted out and will open as the Old Ticket Office in May 2018.

In March 2018 the Group also exchanged and completed on a freehold site in Cardiff for the consideration of £1,075,000. This site will undergo a major refurbishment and will start trading in June 2018.

In April 2018 the Group exchanged on a freehold site in Cambridge. The consideration will be £1,400,000 and should complete towards the end of the month. The site will require significant investment before opening for trade in 2019.

30 Capital commitments

At the period end the Group and Company has no capital commitments excluding the financial commitments disclosed in note 27.

DIRECTORS, OFFICERS AND COMPANY INFORMATION

Directors	Clive Watson ACA – Chairman Rupert Clark – Managing Director Alex Derrick – Managing Director Tarquin Williams ACMA – Chief Financial Officer John Roberts – Non Executive Director Richard Prickett – Non Executive Director Neil Griffiths – Non Executive Director
Secretary and Registered Office	James Dudgeon Essel House 2nd Floor 29 Foley Street London W1W 7TH
Nominated Adviser and Corporate Broker	Liberum Capital Limited 25 Ropemaker Street London EC2Y 9LY
Corporate Broker	Joh. Berenberg, Gossler & Co. KG, London Branch 60 Threadneedle Street London EC2R 8HP
Auditors	Grant Thornton UK LLP 30 Finsbury Square London EC2P 2YU
Solicitors	Addleshaw Goddard LLP Exchange Tower 19 Canning Street Edinburgh EH3 8EH
Bankers	Barclays Bank PLC Exchange Tower 2 Harbour Exchange Square London E14 9GE
Registrars	Equiniti Limited Aspect House Spencer Road Lancing BN99 6DA
Company registration number:	07814568

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