THE CITY PUB GROUP

Annual Report & Accounts 2018

Contents

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 always existed. 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 and Wales. The Group's pub estate comprises 44 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. In October 2018 the Group raised an additional £6.2m of funds through a share placing.

Company highlights

Financial

Revenue up 22% to
£45.7m
(2017: £37.4 million)

Reported profit/(loss) of
£2.0m
(2017: (£0.7) million)

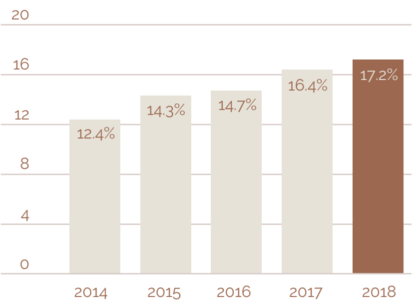
Adjusted EBITDA* up 28% to
£7.9m
(2017: £6.1 million)

Total annual dividend up 22% to
2.75p
(2017: 2.25p)

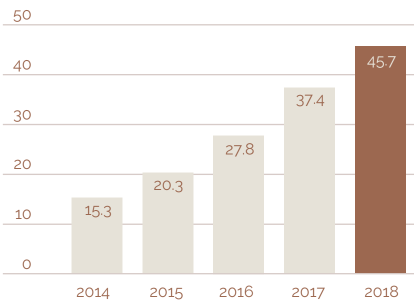
Adjusted profit before tax** up 60% to
£5.1m
(2017: £3.2 million)

Net Debt to EBITDA
1.1 x
(2017: 0 x)

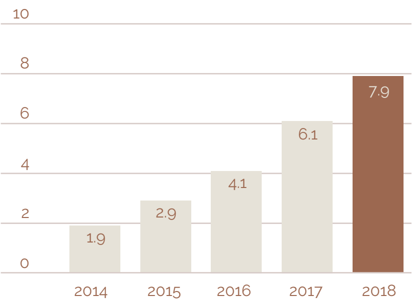
EBITDA %



Revenue (£m)



Adjusted EBITDA (£m)



Operational

58% Freehold

Land ownership

42% Leasehold

As at 8 April 2019 and including two sites exchanged in April 2019

Number of trading sites as at March 2019 **44**

Good performance with like for like sales growth of 1.6%, driven by volume growth in drink and accommodation. **1.6%**

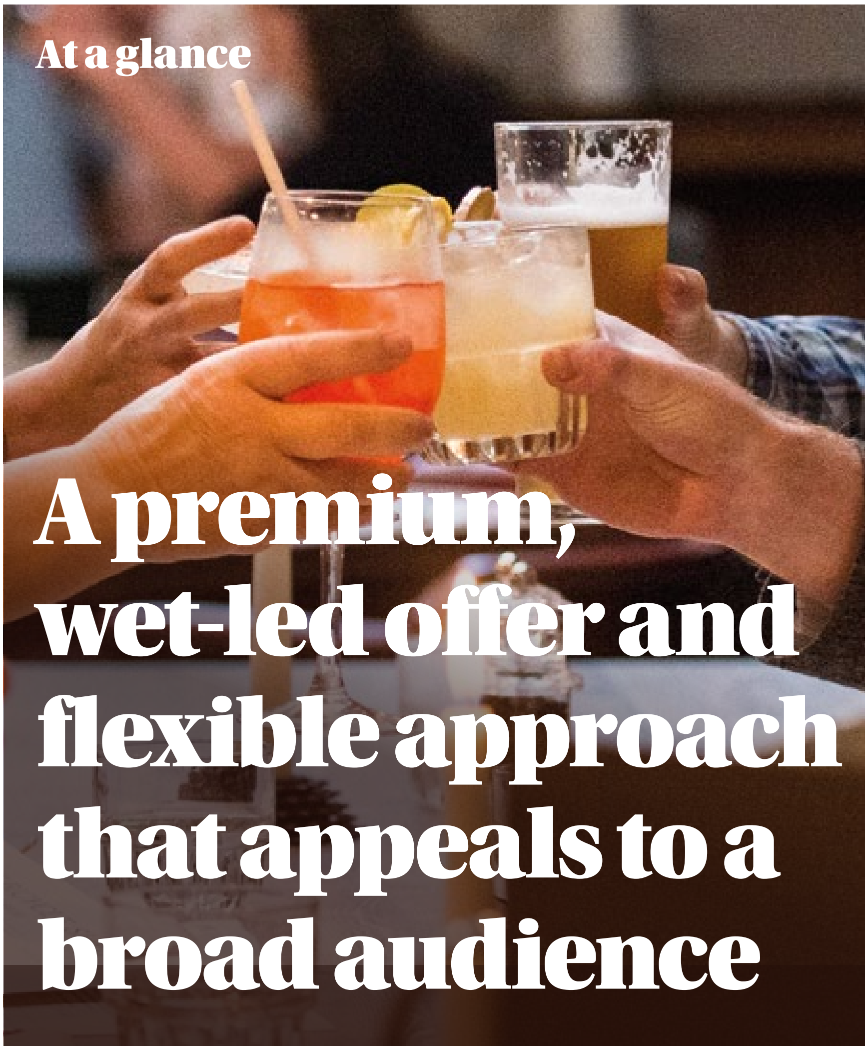
TripAdvisor average rating

4.1

	2018				2017			
	Revenue £m	Operating profit £m	EBITDA £m	Profit before tax £m	Revenue £m	Operating profit £m	EBITDA £m	(Loss)/ profit before tax £m
Reported	45.7	2.8	5.4	2.6	37.4	0.7	2.7	(0.2)
Share option charge	–	0.4	0.4	0.4	–	0.2	0.2	0.2
Exceptional items	–	2.1	2.1	2.1	–	3.2	3.2	3.2
Adjusted	45.7	5.3	7.9	5.1	37.4	4.1	6.1	3.2

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 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

A premium, wet-led offer and flexible approach that appeals to a broad audience

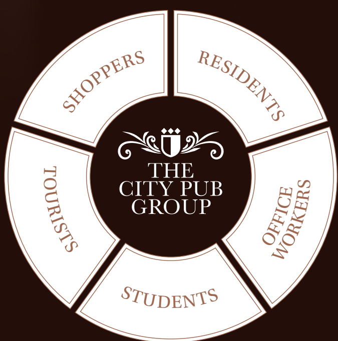
What we do

Established in 2011, The City Pub Group is a managed pub business operating in London and the South of England and Wales. It has a collection of 44 unbranded predominately 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:
Read more on page 13.



Tim

2012: First four pubs to start trading

- **The Cork**, Bath
- **The Mill**, Cambridge
- **St Aldates Tavern**, Oxford
- **Cambridge Brew House**, Cambridge

2011 2012

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

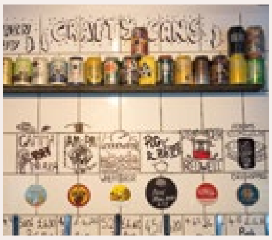
THE CITY PUB COMPANY EAST

THE CITY PUB COMPANY WEST

eline

2014: Pubs added to portfolio

- **Daly's Wine Bar**, London
- **Temple Brew House**, London
- **The Lion and Lobster**, Brighton
- **St Andrews Brew House**, Norwich
- **The Nell Gwynne**, London



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

2018: Pubs added to portfolio

- **Belle Vue**, London
- **Tell Your Friends**, London
- **The Market House**, Reading (in Development)
- **Pontcanna Inn**, Cardiff
- **Old Ticket Office**, Cambridge
- **Bow Street Tavern**, London
- **The Bicycle Shed**, Oxford
- **Tivoli**, Cambridge (in Development)
- **Jam Tree**, Clapham
- **Jam Tree**, Chelsea
- **The Travellers Friend**, London
- **Brighton Beach Club**, Brighton
- **Chapel 1877**, Cardiff

2013 2014 2015 2016 2017 2018

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

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

2017: Pubs added to portfolio

- **Three Crowns**, London
- **Waterman**, Cambridge
- **Grapes**, Oxford
- **Red Lion**, Cambridge
- **Old Fire House**, Exeter
- **Aragon House**, London (in Development)

Chairman's statement

"We are on course to meet our target of doubling the size of the estate to around 65-70 pubs by mid-2021

2018 was another year of significant development for the Group. We continued to progress our strategy and made significant headway in our stated intention to double the size of our pub estate since IPO. Our acquisitions predominantly comprised high quality, freehold pubs in affluent cities across England and Wales. We continued to target areas where we already have a presence, developing clusters of sites and enabling us to capture market share and benefit from economies of scale. We also established our presence in Cardiff, a city in which we now have two sites and will seek to acquire further pubs.

We developed and invested in our business for our next phase of growth through strengthening both our retail and head office teams to ensure we have the operational skills and capacity required as we grow. Despite the tough trading conditions in the first half impacted by the Beast from East, the Group ended the year well having capitalised on the opportunities resulting from the FIFA World Cup, excellent summer weather and the festive season.

Sales rose 22% to £45.7m, LFL sales were +1.6%, adjusted EBITDA* increased 28% to £7.9m and adjusted EBITDA* margins improved from 16.4% to 17.2%.

A share placing in October raised a further £6.2m which was applied to reducing the Group's borrowing. At the year-end net debt was £8.7m placing the Company in a strong position to expand its estate in a market where prices are softening.

In light of this strong performance, the Board recommends a final dividend of 2.75p per share (2017 2.25p) representing a 22% increase on the prior year.

Trading estate

The Group began 2018 with 33 trading pubs and four development sites. With 11 openings during the year, another acquisition and a single disposal post year end, we now own and operate 44 pubs with a further four sites in development. In addition, since the year end the number of bedrooms, an area of opportunity delivering incremental and high margin income, has risen to 66 and as our development sites open we anticipate operating over 150 rooms by the end of 2019.

Recently, contracts have been exchanged on two further freehold pubs which are expected to complete in April 2019 and add to our growing portfolio in Bath and expand our presence into Norfolk. Once the two exchanged sites have completed, the Group will comprise 50 sites.

Our pub clusters enable us to gain exceptional local expertise and retain staff by providing improved career prospects and additional focus on operational performance.

Our pubs are largely located in cathedral cities and we now have 20 trading sites in London, three in Brighton, nine in Cambridge and other clusters in cities such as Bristol, Winchester, Exeter and Oxford. We will seek to acquire pubs in those areas where we are already trading, as well as identifying additional cathedral cities across the southern half of England where we can build our presence.

We are also evaluating expanding our geographical footprint to cities located further north. With an estate which will shortly comprise 50 pubs, the future focus is to acquire and develop larger pubs in or close to prominent cities and by mid-2021 we target an estate of 65-70 pubs.

Openings in 2018:

- **Belle Vue, Clapham**: a freehold property which opened in February following a minor refurbishment. The refreshed frontage and new interior is improving sales and has attracted more customers into the business.
- **Bow Street Tavern, Covent Garden**: we acquired this leasehold site in April as The Covent Garden Pub, which was subsequently closed and refurbished. It reopened its doors to customers in November.
- **Tell Your Friend, Parsons Green**: our first all-vegan concept which opened in April. It enjoys a strong media and social media presence, which drives footfall to the site. Many items on the menu have also been rolled-out to other pubs in the estate.
- **Old Ticket Office, Cambridge**: a prime location in the heart of Cambridge's bustling railway station, this leasehold site opened in early June. Trading has been encouraging since then.
- **Pontcanna Inn, Cardiff**: a freehold asset, formerly known as the Cayo Arms. It is within close proximity to the cricket stadium and a short walk from the city centre. Trading was strong in the summer benefitting from the World Cup and it has since traded in line with our expectations.
- **Travellers Friend, Woodford Green**: a further freehold acquisition in July. This is a well-known community pub.
- **Jam Tree, Clapham and Chelsea**: two sister leasehold sites that were purchased at the end of July.
- **Brighton Beach Club, Brighton**: previously an Italian restaurant, Alfresco, it has since been reopened following refurbishment works and an offering change, with a more liquor-led focus. A prime location of the seafront in Brighton, we anticipate further growth here.
- **The Bicycle Shed, Oxford**: this leasehold site is similar to the Old Bicycle Shop in Cambridge and opened its doors to customers in October.
- **Chapel 1877, Cardiff**: our second freehold site in Cardiff added to the portfolio at the beginning of December, in time to take advantage of Christmas trading.

Openings in 2019:

- **Pride of Paddington, Paddington**: added to the Group's portfolio in February 2019, this leasehold site offers accommodation as well as a prime location next to Paddington train station.

Development sites:

- **Aragon House, Parsons Green**: Planning has now been granted on this site. It is a substantial new pub located on the edge of Parsons Green. The pub will open in May and has a large beer garden and 15 bedrooms.
- **The Market House, Reading**: a former bank that is being transformed into a pub with 24 bedrooms. The business will trade across four floors when open and offer customers a beer garden and roof terrace. Opening is targeted for Q3 2019.
- **Tivoli, Cambridge**: reopening a former pub which was shut after extensive fire damage. When complete it will have a new bar, crazy golf, street food kitchens, shuffleboard, and a space for yoga. In addition, the site overlooks the River Cam. Opening is targeted for Q4 2019.

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

Chairman's statement cont'd

Operating (EBITDA) margin has increased from 16.4% to

17.2%

- **The Turks Head, Exeter**: originally a freehold pub in the heart Exeter that became a Prezzo that we are now converting back to its original use. Acquired in January 2019 and opening is targeted for late 2019 or early 2020.

Sites exchanged on:

- **Bath (name TBC)**: formerly known as the Nest. This is a prominent freehold site that will be redeveloped and is expected to be opened in Q4 2019. It has a large outside space overlooking the centre of the city.
- **The Hoste, Burnham Market**: a 53 bedroom site with spa, cinema and gym was last year named in the top 10 country hotels in the UK by the Guardian. This will be the largest number of bedrooms in any City Pub Group outlet. It is a prominent and popular location only a 45 minute drive from Norwich where the business' operates the Georgian Town House which currently has 22 bedrooms and is due to open another ten in 2019. These two sites should complement each other in terms of marketing, suppliers, staff and other operational activity. This site will be acquired for a cash consideration of £8.65m at the end of April 2019 plus further additional significant consideration subject to a sales performance incentive over the next 2 month period. The site generated EBITDA of approximately £0.7m for the year ended April 2018.

Disposals:

- **The Grapes, Oxford**: this site was sold post year end in February 2019.

Financial highlights

Summary for the year ended 30 December 2018:

- Revenue up 22% to £45.7 million (2017: £37.4 million)
- Like for like sales were up 1.6%
- Adjusted EBITDA* up 28% to £7.9 million (2017: £6.1 million)
- Adjusted profit before tax** up 60% to £5.1 million (2017: £3.2 million)
- Reported profit/(loss) of £2.0 million (2017: (£0.7) million)
- Total annual dividend up 22% to 2.75p (2017: 2.25p)
- Net debt to EBITDA 1.1 times (2017: 0 times)

The Board is pleased with the significant increase in the Group's adjusted EBITDA and the improvements in its operating (EBITDA) margins which have increased from 16.4% to 17.2%. The EBITDA margin improvements were driven principally by better purchasing. Margins are anticipated to increase further as the central overhead base and procurement becomes more efficient. We are now profitable at the statutory reporting level with a reported profit of £2 million.

During the year, capex of £5.8 million was invested into refurbishing new sites and maintaining the existing estate.

Statement of financial position and bank borrowings

The Company has a £30m revolving credit facility in place with Barclays expiring in July 2021. It is the Board's intention to increase these facilities. The Company is currently in negotiation to increase and extend these facilities on improved terms and it is anticipated that renewed facilities will be in place in Q3 2019. This will give us additional capacity to acquire new sites and take advantage of other opportunities in the coming years.

The Board continues to adopt a prudent policy towards its gearing of around 30% of asset value and will utilise cash generated from the existing estate to fund acquisitions and dividends.

Organisation

As the Group's estate expands, it is vital that it retains its retail entrepreneurialism. During the period the Board reviewed the business' organisational structure and decided the best way forward is to create regional hubs operated by key Regional Directors and overseen by the Group's Managing Directors, Alex Derrick and Rupert Clark.

* 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.

We have already established a Western Division, East Anglian and London Division. Each Regional Division will have its own training, recruitment and social media resources. The aim is to accelerate the decision-making process whilst at the same time maintaining the local integrity and individuality of our pubs. We are in the process of setting up an Oxford/Winchester Division, as well as the South Coast Division.

Whilst this new structure has required additional resource, the Group believes this provides an optimal framework for the future allowing faster and more focused expansion. By creating this structure, the Group expects to be able to retain and attract the best operators in the market.

Board

There have been no changes to the Board structure since our last report.

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 2.75p per share (2017 2.25p) representing a 22% increase on the prior year. If approved, at the Company's AGM, the dividend will be paid on 1 July 2019 to shareholders on the share register as of 31 May 2019. As in the prior year, 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 representing 60% of my holding.

Employees are represented at Board meetings by two representatives. At Board level, dedicated time is spent discussing employee matters

Annual General Meeting

The AGM will be held at Aragon House at 12pm on Monday 20 May 2019.

People

Retaining and rewarding talented staff is a priority for the business. The Board believes that the Group is at the forefront of the industry in rewarding its employees. The Board operates a profit share scheme that enables all employees to share in the Group's success. However, the rewards of this scheme were previously allocated on an annual basis. Consequently, the Board has reviewed this scheme and intends to replace it with a weekly profit share system for all non-managerial staff. The Board believes that by giving weekly bonuses to hourly paid staff, productivity, retention and recruitment will improve significantly.

The scheme is already being trialled across the pub estate and the initial response from staff has been very positive.

Employees are represented at Board meetings by two representatives. At Board level, dedicated time is spent discussing employee matters. As a result of their inclusion at these meetings, we gain invaluable insight into staff priorities and their advice has ensured that the terms and conditions for employees have improved.

The Group seeks to ensure in relation to recruitment and employee relations, it is one of the best companies to work for in the hospitality industry.

Current trading & outlook

For the first 14 weeks of the year, total sales were up 36% on prior year with 44 sites open and trading.

We have some important and high profile openings in the near future which are as follows:

- Aragon House, Parsons Green – May 2019
- The Market House, Reading – Q3 2019
- Cambridge, formerly Tivoli – Q4 2019

In addition to these, the Group is opening in Exeter and Bath. These new sites will help drive our sales.

I am pleased with the Group's progress in the last 12 months and excited about our prospects for the next few years. We have created a platform for growth which is well-controlled and very focused. We have a great set of advisers, suppliers and a good banking relationship that will assist in growing our business further.

I am fortunate to have a very supportive Board to help grow the business. Just as importantly, we have a high quality head office team and talented and diligent retail employees who are great ambassadors for the Group. We remain confident for further strong progress in the years ahead.

Clive Watson
Chairman, The City Pub Group plc,
8 April 2019

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 offering

Liquor-led pubs with high quality food offering

Quick to adapt to consumer habits for food and drink

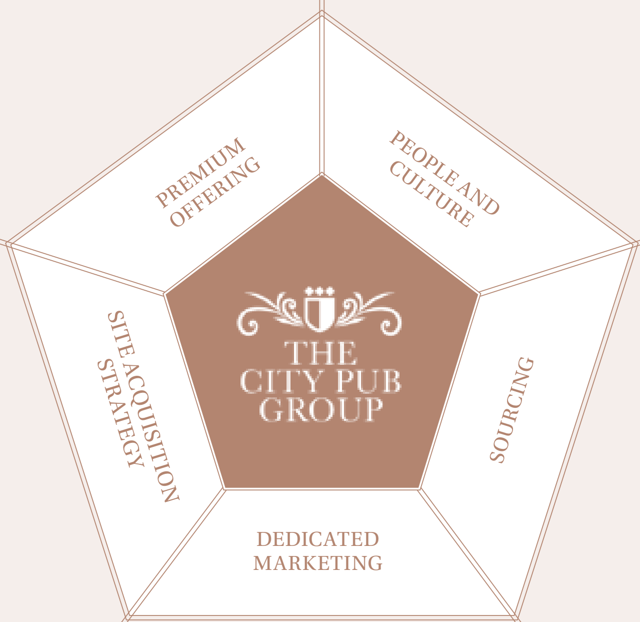
Micro breweries in selected sites add differentiation and choice variety

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

Introduction of innovative app "City Club" aims to engender customer loyalty

Our key strengths

Premium operator creating individual identity for each pub
The Group's pub estate and flexible retail strategy addresses the trend away from branded pubs and towards 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 and Wales.

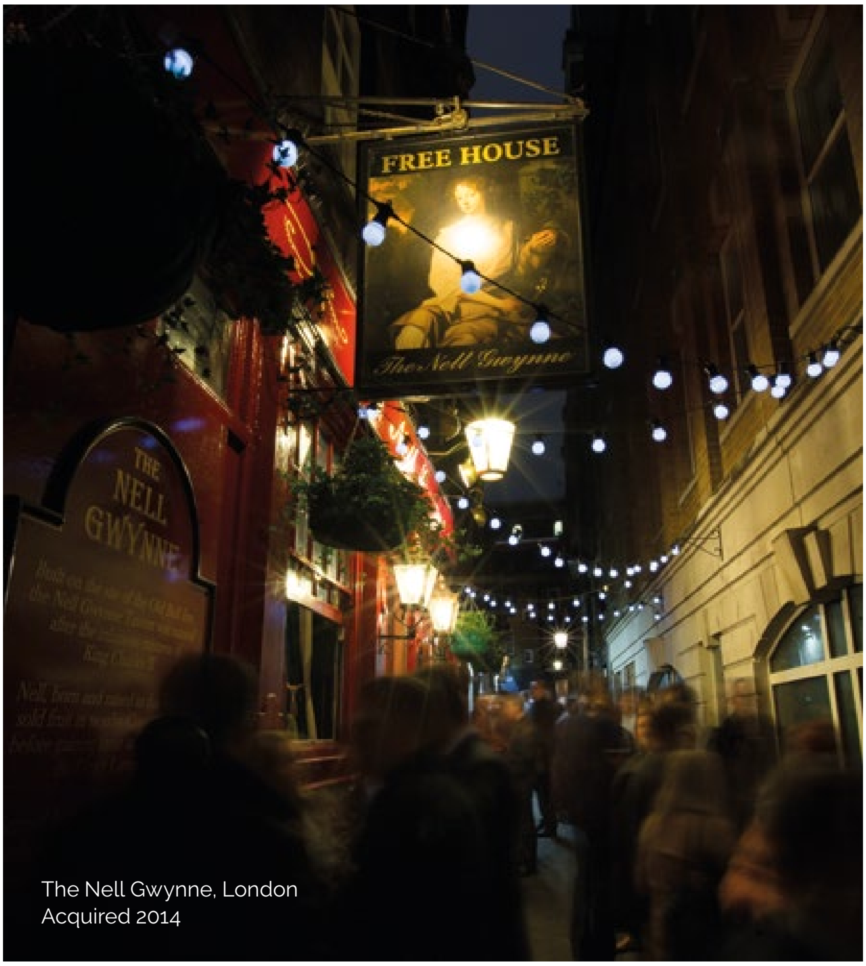
The group is asset backed
An independent valuation report by CBRE valued the Group's portfolio at £73.65 million as at 11 October 2017. This valuation does not include Aragon House, a freehold pub which the Group acquired on 21 September 2017 for £7.75 million. The Group had a portfolio of 34 pubs (including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

The introduction of our new weekly bonus scheme means that all employees are now on a bonus scheme with shared goals.

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.



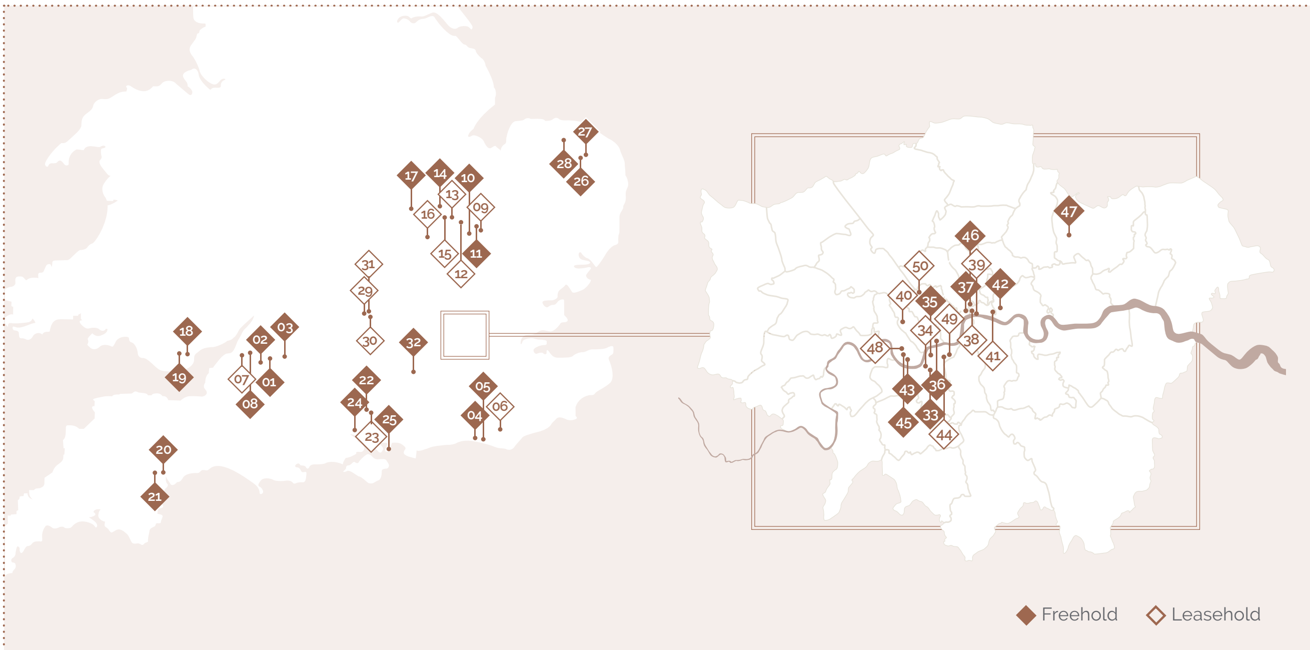
The Nell Gwynne, London
Acquired 2014

The introduction of our new weekly bonus scheme means that all employees are now on a bonus scheme

Pub Estate

The Group has a portfolio of 50 sites in southern England and Wales as shown on the map below. This consists of 44 trading sites, 4 development sites and 2 further sites exchanged in April 2019.

29 of the pubs in the portfolio are freehold (58%) and 21* are leasehold (42%)



Bath

01 The Cork

02 The Bath Brew House

03 The Nest

Brighton

04 The Lion and Lobster

05 The Walrus

06 Brighton BeachClub

Bristol

07 Prince Street Social

08 King Street Brew House

Cardiff

18 The Pontcanna Inn

19 Chapel

Cambridge

09 The Mill

10 Old Bicycle Shop

11

12

13 The Punt Yard

14 Red Lion

15 Waterman

16 OTO

17 Tivoli

Exeter

20 The Old Firehouse

21 Turks Head

Hampshire

22 The Westgate

23 Alfie's

24 London Rd Brew House

25

Norwich

26 The Georgian Townhouse

27 St. Andrews Brew House

28 The Hoste

Oxford

29 George Street Social

30 St Aldates Tavern

31 The Bicycle Shed

Reading

32 Market House

London

33 The Althorp

34 The Roundhouse

35 Lighthouse

London cont'd

36 The Phene SW3

37 The Nell Gwynne

38 Daly's*

39 Temple Brew House*

40 The Cock & Bottle

41 The Three Crowns

42 Cat + Mutton

43 Aragon House

44 The Belle Vue

45 tell your friends

46

47 The Travellers Friend

48 49 The Jam Tree

50 Pride of Paddington

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

Our strategy

At present, the Group has 44 trading pubs and it intends to continue to grow its estate over the next two to three 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 should ideally address at least four of the five key target markets.

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. With regular maintenance the estate is kept in a high standard, this helps to ensure that future refurbishment costs are reduced and closures of pubs for major refurbishments are minimised.

Acquisition pipeline

The Group is continually appraising both individual sites and portfolios of pubs across southern England and Wales 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 30 December 2018 and the Group intends to keep it around this level.

> **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.**

Our relationships

Our people

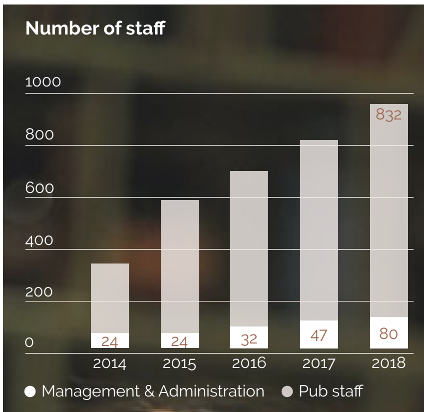
Recruitment and retention of high quality staff is key to the Group's strategy, both at head office and across the estate. The Group's staff are well-trained and appropriately incentivised, given their respective roles, with the focus on attracting the most suitable employees to support the growth of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

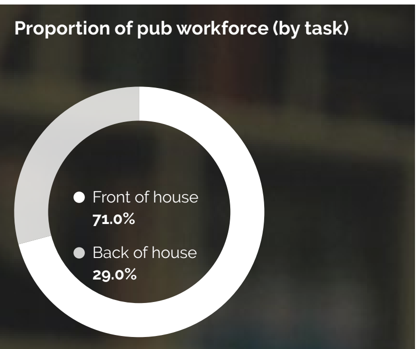
People and culture

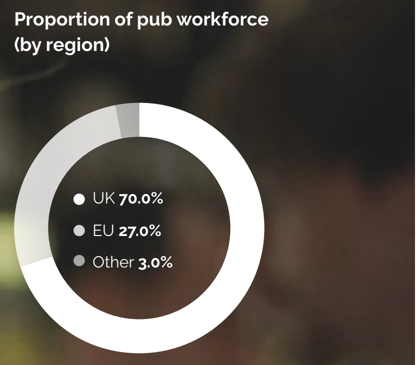
The Group's localised strategy requires a certain standard and quality in its staff. The inherent ability to be engaging, intelligent and motivated are key attributes. The strategy to focus within Cathedral cities means finding the right type of staff should be easier especially as universities are central 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 a 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.







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 that 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
Management Development Programme	Mental Health First Aid	Brewery & Cellar Management
Senior Chef Development Programme	Strategic Social Media Workshop	WSET level 2
Leadership & Teambuilding	Events & Inhouse Marketing Masterclass	Personal License
Wet Stock, GP and Cash Control Masterclass	Fire Marshall	
Devising a Balanced Menu & Managing Kitchen Profits	First Aid	
Grievance and Disciplinary Workshop	FLOW Online Learning	

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

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.

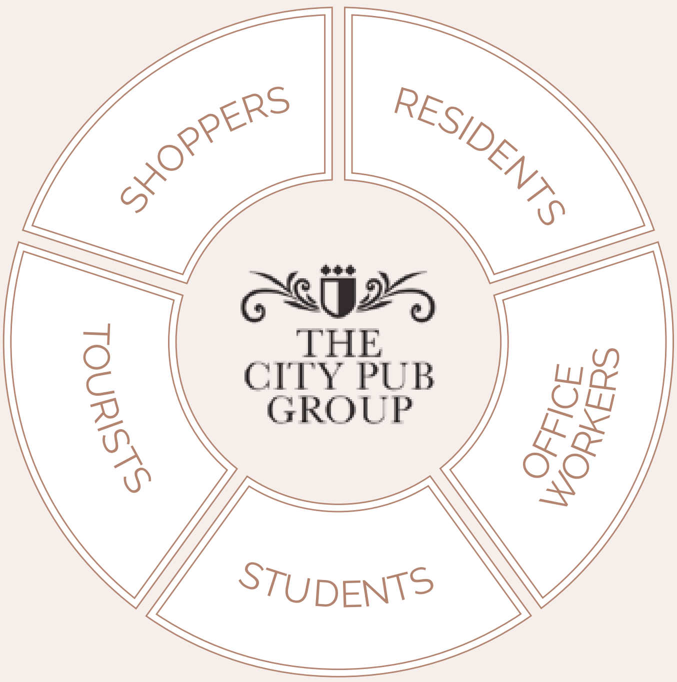
The Travellers Friend, London
Acquired 2018

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 entered into a number of three year fixed-term supply agreements with its major suppliers during 2017. 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 a three year period. The Group has also 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.

The Group has five key target markets:



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

Business review

Financial performance

	2018				2017			
	Revenue £m	**Operating profit £m**	**EBITDA £m**	**Profit before tax £m**	Revenue £m	Operating profit £m	EBITDA £m	(Loss)/profit before tax £m
Reported	**45.7**	**2.8**	**5.4**	**2.6**	37.4	0.7	2.7	(0.2)
Share option charge	**–**	**0.4**	**0.4**	**0.4**	–	0.2	0.2	0.2
Exceptional items	**–**	**2.1**	**2.1**	**2.1**	–	3.2	3.2	3.2
Adjusted	**45.7**	**5.3**	**7.9**	**5.1**	37.4	4.1	6.1	3.2

Financial Position and Performance

The results reported with the financial statements are for the 52 weeks ended 30 December 2018, compared with the 53 weeks ended 31 December 2017. All commentary is for the statutory periods, except for the like for like information.

The Group has a strong financial position as a cash generative business with a high quality, mainly freehold asset base (84% by value). The bank debt at year end was £11.6m with the ratio of net debt to pro forma EBITDA of 1.1 times (2017: 0 times).

We have grown our revenue by 22% on the prior year with the majority of the growth coming from the eleven new pubs opened in the year along with the good like for like trading of the existing estate. Our adjusted operating profit before separately disclosed exceptional items grew by 27% to £5.3 million (2017: £4.1 million).

Adjusted EBITDA increased by 28% to £7.9 million (2017: £6.1 million) reflecting the performance of the larger estate. There was an increase in depreciation of 30% on the prior period.

Finance Costs

Net finance costs before separately disclosed exceptional items were some £0.8 million lower than prior year at £0.2 million. At IPO the convertible preference share converted into ordinary shares, so there was no interest due on those in the year compared to £0.6 million in the prior year.

Cash Flow and Net Debt

The Group generated cash from operating activities of £6.2 million (2017: £4.0 million). In line with our acquisition strategy, we invested £25.8 million on the acquisition of thirteen sites of which eleven pubs opened during the year, including the subsequent refurbishments. The new sites were – The Belle Vue in London, Tell Your Friends in Parsons Green, Market Place in Reading (in development), Pontcanna Inn in Cardiff, The Old Ticket Office in Cambridge, The Bow Street Tavern in Covent Garden, The Bicycle Shed in Oxford, Tivoli in Cambridge (in development), The Jam Tree in Clapham, The Jam Tree in Chelsea, The Travellers Friend in Woodford Green, The Brighton Beach Club in Brighton and Chapel 1877 in Cardiff.

Sources of Finance

The Group has long term facilities of £30 million available until June 2021. The Group had drawn down £11.6 million of these facilities at the year end. Our undrawn committed facilities at 30 December 2018 were £18.4 million with a further £2.9 million of cash held on the statement of financial position at year end.

Separately Disclosed Items

Separately disclosed exceptional items before tax of £2.1 million comprised £0.3 million impairment provision on a Cambridge site, £0.1 million loss on a site held for sale at year end and £1.7 million of pre-opening costs expensed. Before separately disclosed exceptional items and share option charge, adjusted profit before tax was therefore £5.1 million (2017: £3.2 million). Tax has been provided for at a rate of 19.0% (2017: 19.25%) 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). We review our performance by looking at our current year actuals against both budget and prior year figures.

Going Concern Statement

In adopting the going concern basis for preparing the financial statements, the Board has considered the business activities as set out within the Strategic Report along with the principal risks and uncertainties. Based on the current financial projections to 30 June 2020 and having considered the facilities available, the Board is confident that the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Board consider it appropriate for the Group to adopt the going concern basis in preparing its financial statements.

We are currently in negotiation to increase and extend our banking facilities on improved terms. This will give us additional capacity to acquire new sites and take advantage of other opportunities.

On behalf of the Board

Tarquin Williams
Chief Financial Officer
8 April 2019

Principal risks and uncertainties

Aligning risk with corporate strategy

Risk Management Overview

The City Pub Group is not alone in facing a range of risks and uncertainties in the course of its business. Our aim is to identify and manage these risks effectively so that we can deliver on our strategy and maximise shareholder returns.

In the course of its normal business, the Group continually assesses and takes action to mitigate the various risks encountered that could impact the achievement of its objectives. As detailed in the Corporate Governance Report, there are systems and processes in place to enable the Board to monitor and control the Group's management of risk. The Audit Committee regularly reviews the effectiveness of this process and seeks to ensure that management's response is adapted appropriately to the changing environment.

External Risks

There are a number of external risks over which the Board has no direct control, which are discussed at Board and Audit Committee meetings to ensure that the business can respond effectively to changes in the external environment.

- A decline in the UK economy would reduce consumer disposable income and could see a reduction in revenues across the industry, or a polarisation between cost leaders and premium operators.
- The implications of Brexit are uncertain and will continue to be for the foreseeable future while exit terms are negotiated. The business model is dependent on being able to source skilled labour, much of which comes from the EU.
- The threat of terrorism in the UK has an impact on the way in which we operate and the safety of our customers and employees is of paramount importance. A prolonged terrorist campaign could ultimately reduce consumer spending habits.

The following sets out what the Board considers to be the principal risks which affect the Group at present, although it is not intended to be a comprehensive analysis of all the risks that the business may face.

Risk Trend Key

▲ Risk increasing ◆ Risk unchanged ▼ Risk decreasing

Regulatory and compliance risks

Description	Impact	Risk Mitigation & Monitoring	Change
Legislative Changes The City Pub Group operates in a highly regulated sector where government legislation impacts much of the way we do business and therefore the business model.	Any significant changes in policy could lead to a sudden change or the long-term decline of the business.	• We carefully monitor legislative developments and review sales trends and consumer habits to gauge their impact on our business. • We participate in industry initiatives aimed at the responsible promotion and retailing of alcohol.	▲
The annual stepped increases to the National Living Wage ("NLW") presents a challenge to the way in which staff costs are controlled.	Similar changes in future could reduce profitability in our managed pubs.	• We have taken steps to mitigate the impact of the NLW legislation through review of our staff hours and pricing strategies and we are in a unique competitive position as we already pay many of our employees above the NLW. We are also closely monitoring the potential wider wage inflation impact.	
Legislative changes to the sale of alcohol, such as minimum unit pricing, could reduce consumer spending habits.	The impact of such legislation is minimal. Our products are premium and already command a higher price point.	• We have diversified our offering to include soft drinks, coffee, food and accommodation to reduce our reliance on alcohol-based revenue.	
The Neighbourhood Planning Act came into effect in 2017 and applied limitations to the way in which pubs can be developed.	The restrictions imposed by the Act could have an adverse effect on any pubs marketed for disposal.	• We continue to maintain on-going dialogue with Government and industry bodies.	
The General Data Protection Regulation ("GDPR") came into effect on 25 May 2018.	GDPR will impact every part of the business that uses personal data and has the potential to impose significant fines if a breach of privacy occurs.	• We have carried out a detailed data gathering exercise to identify key risk exposures. • We have appointed a data protection officer to monitor compliance.	

Principal risks and uncertainties cont'd

Regulatory and compliance risks cont'd

Description	Impact	Risk Mitigation & Monitoring	Change
Health and Safety and Food Safety The health and safety of the Group's employees and customers is a key concern to us. We are required to comply with health and safety legislation, including fire safety, food hygiene and allergens.	Operating a large number of managed houses increases the complexity of ensuring the highest health and safety standards are adhered to.	• A Health and Safety Committee oversees the operation of the Group's health and safety policies and procedures, and regularly updates its policies and training programme to ensure all risks are identified and properly assessed and that relevant regulation is adhered to. • We use Food Alert a food and H&S consultancy to provide audit advice and risk assessment management. They audit each site twice a year. • We report and investigate all accidents and near misses and are looking to appoint dedicated safety champions throughout the business. • In a number of Pubs, we have introduced automatic fire suppression systems in our kitchens to reduce fire risk. • All staff receive food hygiene and allergen awareness training as standard and regular kitchen audits/checks ensure they comply with the standards expected of them. Quality assurance checks on our core suppliers ensure hygiene standards have been adhered to before produce reaches our kitchens.	◆

Operational and people risks

Description	Impact	Risk Mitigation & Monitoring	Change
Business Continuity and Crisis Management The Group's Head Office is based at Foley Street in London.	A disaster at our Head Office would disrupt operations.	• We continually monitor fire safety to reduce the risk of failure. • We have informal arrangements in place to use alternative facilities in the event of a major incident.	◆
Our Managed pubs represent our key revenue stream.	The impact of a major disaster affecting a number of pubs over a period of time could be significant.	• We have well-documented disaster recovery plans which are rehearsed regularly throughout the business to ensure that normalisation can occur as swiftly as possible after a serious incident and that any damage is contained.	

Description	Impact	Risk Mitigation & Monitoring	Change
Information Technology The Group is increasingly reliant on its information systems to operate.	Trading would be affected by any significant or prolonged failure of these systems.	• To minimise this risk the IT function has a range of facilities and controls in place to ensure that in the event of an issue normal operation would be restored quickly. • These include a formal IT Recovery Plan, online replication of systems and data to a third-party recovery facility, and external support for hardware and software.	▲
Over the last year, the Group has invested in its IT systems and has introduced a new EDI system to help reduce the volume of paperwork and improve controls.	A significant IT failure could materially impact finance and operations.	• Experienced staff and management consultants are engaged on these IT projects.	
Data Security – the data held by the Group is a key business asset and personal data protection is key. Deliberate acts of cyber-crime are on the increase, targeting all markets and heightening risk exposure.	Any significant loss of data could lead to a considerable interruption for the business and reputational damage, as well as fines under GDPR.	• The IT systems in place follow appropriate data protection guidelines to ensure the risk of both personal and Company data loss is minimal. • Our network is protected by firewalls and anti-virus protection systems. Threats to our data security by viruses, hacking or breach of access controls are constantly monitored.	
Recruitment & Staff Retention The Group has a business model built upon recruiting and keeping the best people to support its strategy.	There is a risk that if a number of key employees were to leave at the same time it may risk the delivery of the Group's strategy.	• The Group performs detailed succession planning to ensure that key roles are considered to ensure appropriate cover is available. • The Group culture and remuneration packages are attractive. Policy is set up to ensure the key members of our staff are appropriately remunerated to reduce the likelihood they are attracted to other competitor businesses. • The Group has recently strengthened the team with the addition of a Recruitment Manager to help both recruit and retain the best people.	▲
There is a risk that recruitment will become increasingly competitive and that staffing shortages within the hospitality industry could drive wage inflation, especially if restrictions to free movement of EU nationals are imposed as a result of Brexit.	If we cannot recruit the best people, we risk falling levels of quality which could impact our reputation. If we become reliant on agency staff, profit margins are reduced.	• We have established a strategy which will ensure we continue to attract and retain highly trained, quality staff and have invested in internal development as part of our Chefs Development programme. • We have taken steps to ensure that we will be prepared for the impact of a potential reduction in qualified hospitality workers in the wake of Brexit and that we will remain the employer of choice.	

Principal risks and uncertainties cont'd

Economic and market risks

Description	Impact	Risk Mitigation & Monitoring	Change
Economic Uncertainty and Cost Inflation Market uncertainty and increasing demand leads to cost pressures in several areas, most significantly food and drink production, utilities and staff costs. We are also facing significant cost head-winds such as business rates.	The weaker pound sterling gives risk to increasing food costs, particularly from the Eurozone and reduces profitability.	• Key suppliers undergo a rigorous procurement process to ensure that we get the best deal. • We seek to maintain good relations with suppliers. • Monthly reviews of Key Performance Indicators ("KPIs") indicate areas where costs could rise significantly.	▲
Brexit might result in less chefs and front of house staff from the EU working in Great Britain.	As demand for trained chefs increases and the pool of chefs from the EU decreases, this could lead to staff costs increasing or quality declining.	• Effective payroll scheduling reduces the number of hours worked, to offset increasing wages without sacrificing quality.	
Brands and Reputation CPG has a wide portfolio of pubs and has established an excellent reputation in the market.	Principally, there is a risk that the Group's food or drink could become contaminated at source or outlet, which could damage the reputation of the pubs and deter customers.	• The Group reduces product contamination risks to an acceptable level by ensuring that the business is operated to the highest standards by maintaining long-term relationships with suppliers and by investment in quality control and cleaning. • The Group has insurance coverage in the event of contamination (i.e. Salisbury). • The Group runs an active and continuous training programme covering all aspects of the pub operations and provides its pubs with on-site technical support.	◆
Loss of Company Values or a Failure to Adhere to Them CPG is a company based on a strong set of values which are key to its success and future.	Should these be undermined or not adhered to, the Company's unique position and long-term future would be jeopardised.	• The Company has a culture which ensures that management are encouraged to take business decisions for the long-term benefit of the Company. • This culture also promotes a long term and collaborative approach that does not lead to excessive risk taking and the reward system encourages appropriate behaviour.	◆
Consumer Demand Shifts The Group's success is attributable to its ability to anticipate and react to consumer demand.	The way in which the Group responds to market changes is critical to its on-going strategy and has a direct impact on all operational activity.	• Management monitor and research consumer trends and run trials of new technologies, brands and products. • We gather consumer feedback through surveys, customer complaints and online and social media reviews. • We analyse retail pricing and market share data to ensure we are competitive but still premium. • The Board approves all significant new acquisition decisions and therefore controls key changes to the Group.	◆

Financial risks

Description	Impact	Risk Mitigation & Monitoring	Change
Funding Requirements We expect the Group to be able to access suitable financial facilities to meet the ongoing requirements of the business and our longer term strategic objectives.	If we are unable to meet the funding requirements of the Group, we risk reduced revenue and lower profitability than our growth plans.	• The Group has a £30m revolving credit facility (RCF) with Barclays, which is in place until July 2021. • We are currently looking at options of agreeing new larger facilities at improved rates.	◆
Covenant Risks We expect to be able to meet our banking covenants under a range of cautious liquidity scenarios.	If we are unable to meet the covenant requirements of the Group's RCF this might affect our ability to grow the business and might damage our reputation and ongoing creditworthiness.	• The Group prepares long term business plans and forecast to ensure that financial covenants can be met and monitored on a regular basis. Our forecast models closely tracks future covenant headroom of bank debt through all considered acquisitions.	◆

Risk of not complying with plc rules/corporate matters

Description	Impact	Risk Mitigation & Monitoring	Change
Corporate Matters ESOS (Energy Savings Opportunity Scheme). Packaging Regulations.	We need to meet our reporting deadlines and also understand how we are able to be more energy efficient which is good for the environment and will save us money.	• Now appointed an external company, as our lead assessor and energy auditor. • Now appointed an advisor to help with collecting of data and the reporting of our obligations.	◆

On behalf of the Board

Tarquin Williams
Chief Financial Officer
8 April 2019

Board of Directors

Executive Directors

Clive Watson ACA (57)
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 (46)
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 un-branded 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 (43)
Managing Director

Alex has over 20 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 and served throughout the period.

Tarquin Williams ACMA (48)
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 (61)
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 (67)
Independent Non-Executive Director

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 CQS Natural Resources Growth and Income 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. Richard was appointed as a Non-Executive Director of the Company on 25 October 2017 and served throughout the period.

Neil Griffiths (57)
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 (71)
Company Secretary

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

Corporate Governance report

for the 52 week period ended 30 December 2018

The Directors recognise the importance of sound corporate governance and they comply with the QCA Guidelines.

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.

The Board 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 20 and 21.

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 CSOP Share Option Scheme and JSOPs. 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.

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 introduced a JSOP and has granted awards under the JSOP during 2018.

The Company has granted share options and JSOP over 3,785,000 Ordinary Shares representing 6.4 per cent of the Enlarged Share Capital. Taking this into account, an additional 2,152,751 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 payout 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		Pension/Other		JSOP/EMI		Total	
	2018 £000	2017 £000	**2018 £000**	2017 £000	**2018 £000**	2017 £000	**2018 £000**	2017 £000	**2018 £000**	2017 £000	**2018 £000**	2017 £000	**2018 £000**	2017 £000
Clive Watson	**130**	101	**–**	136	**–**	254	**4**	3	**4**	1	**40**	269	**178**	764
Alex Derrick	**130**	101	**–**	147	**–**	180	**6**	5	**4**	1	**40**	208	**180**	642
Rupert Clark	**130**	101	**–**	156	**–**	240	**9**	5	**4**	1	**40**	208	**184**	711
Tarquin Williams	**115**	86	**–**	71	**–**	128	**2**	2	**4**	1	**40**	–	**160**	288
Richard Prickett	**40**	8	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**40**	8
John Roberts	**30**	28	**–**	31	**–**	42	**–**	–	**41**	41	**–**	–	**71**	142
Neil Griffiths	**29**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**29**	–
David Bruce	**–**	42	**–**	41	**–**	56	**–**	–	**–**	–	**–**	–	**–**	139
James Watson	**–**	16	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	16
Total	**604**	483	**–**	582	**–**	900	**21**	15	**57**	45	**160**	685	**842**	2,710

* 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.

Corporate Governance report cont'd

for the 52 week period ended 30 December 2018

Directors interests

As at 30 December 2018 the Directors of the Company held the following number of shares:

The Directors share interest represents 7.0% of the ordinary shares in circulation.

	2018	2017
Directors Share Interests		
Rupert Clark		
Ordinary 50p shares	**560,986**	555,059
Alex Derrick		
Ordinary 50p shares	**431,786**	425,682
Neil Griffiths		
Ordinary 50p shares	**10,000**	–
Richard Prickett		
Ordinary 50p shares	**58,823**	58,823
John Roberts		
Ordinary 50p shares	**343,331**	339,704
Clive Watson		
Ordinary 50p shares	**2,570,532**	2,252,882
Tarquin Williams		
Ordinary 50p shares	**291,412**	291,412

Director's Share Options

Director	Scheme	As at 31 December 2017	Exercised	Lapsed	Granted	As at 30 December 2018	Exercise price	Date of grant	Exercisable from	Expiry date
Rupert Clark	CSOP	30,000	–	–	–	30,000	£1.00	May-16	May-19	May-26
	JSOP	–	–	–	400,000	400,000	£2.05	Jan-18	Jan-21	Jan-28
Total		30,000			400,000	430,000				
Alex Derrick	CSOP	30,000	–	–	–	30,000	£1.00	May-16	May-19	May-26
	JSOP	–	–	–	400,000	400,000	£2.05	Jan-18	Jan-21	Jan-28
Total		30,000			400,000	430,000				
Clive Watson	CSOP	22,500	–	–	–	22,500	£1.00	May-16	May-19	May-26
	CSOP	22,500	–	–	–	22,500	£1.00	May-16	May-19	May-26
	JSOP	–	–	–	400,000	400,000	£2.05	Jan-18	Jan-21	Jan-28
Total		45,000		–	400,000	445,000				
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
	JSOP	–	–	–	400,000	400,000	£2.05	Jan-18	Jan-21	Jan-28
Total		60,000	–	–	400,000	460,000				
TOTAL		165,000		–	1,600,000	1,765,000				

Richard Prickett
Independent Non-executive Director,
8 April 2019

Directors' report

for the 52 week period ended 30 December 2018

The Directors present their Report and the consolidated financial statements of the Group for the 52 week period ended 30 December 2018.

Results and dividends

The statement of comprehensive income is set out on page 32 and shows the profit for the period. The Directors recommend the payment of a dividend of 2.75p per ordinary share. This is an increase of 22% 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
Tarquin Williams
David Bruce (resigned 17 January 2018)
John Roberts
Richard Prickett
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 2020 that indicate the Group has sufficient headroom to meet its liabilities as they fall due for the foreseeable future. The Group has a total of £11.6 million drawn down on its RCF with its bankers, Barclays Bank at year end.

Purchase of own shares

There were no purchases of the Group's shares during the period.

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 outstanding borrowing at year end of £11.6 million as disclosed in note 19. 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 30 December 2018 the Group had £11.6 million of 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
8 April 2019

Independent Auditor's report

for the 52 week period ended 30 December 2018

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 30 December 2018 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 30 December 2018 and of the group's profit 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.

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 were:

- 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: £463,000, using the group's total revenues as a benchmark.
- The key audit matter identified was the impairment of property, plant and equipment.
- 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 mis-statement (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 note 2.16 and note 12, 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) • 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 and sensitising management's impairment model, by using industry data (sector discount rates and growth rates) and other publicly available information to consider the reasonableness of management's assessment of the recoverable amount for sites • Assessing the recoverable amount for the portfolio of sites as an overall sense check of carrying values 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 notes 11 and 12. **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.

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	£463,000 using 1% of 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 group continues to grow. Materiality for the current year is higher than the level that we determined for the prior period reflecting the growth of the Group.	£416,700 using 90% of group materiality as a benchmark. This benchmark is considered the most appropriate because the net assets of the Group are concentrated in the parent company. Materiality for the current year is higher than the level that we determined for the prior period reflecting funds raised by the Company.
Performance materiality used to drive the extent of our testing	70% of financial statement materiality	70% 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 and related party transactions, on the basis that these balances are material by nature.
Communication of misstatements to the audit committee	£23,150 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£20,835 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Independent Auditor's report cont'd

for the 52 week period ended 30 December 2018

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 on page 27, 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.

Use of our report

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

Grant Thornton UK LLP

Marc Summers, FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
8 April 2019

Consolidated statement of comprehensive income

for the 52 week period ended 30 December 2018

	Notes	2018 £	2017 £
Revenue	4	**45,674,016**	37,403,515
Cost of sales		**(11,620,737)**	(9,657,731)
Gross profit		**34,053,279**	27,745,784
Administrative expenses		**(31,243,933)**	(27,019,242)
Operating profit		**2,809,346**	726,542

	Notes	2018 £	2017 £
Reconciliation to adjusted EBITDA*			
Operating profit		**2,809,346**	726,542
Depreciation	5	**2,552,296**	1,963,891
Share option charge	25	**377,188**	258,195
Exceptional items	8	**2,120,456**	3,200,643
*** Adjusted earnings before exceptional items, share option charge, interest, taxation and depreciation**		**7,859,286**	6,149,271

	Notes	2018 £	2017 £
Finance costs	6	**(189,685)**	(986,560)
Profit/(loss) before tax		**2,619,661**	(260,018)
Tax expense	7	**(654,011)**	(456,423)
Profit/(loss) for the period and total comprehensive income		**1,965,650**	(716,441)
Earnings per share			
Basic earnings/(loss) per share (p)	10	**3.23**	(2.45)
Diluted earnings/(loss) per share (p)	10	**3.05**	(2.45)

All activities comprise continuing operations.

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

Consolidated statement of financial position

as at 30 December 2018

	Notes	2018 £	2017 £
Assets			
Non-current			
Intangible assets	11	**3,793,524**	2,524,681
Property, plant and equipment	12	**90,020,348**	67,947,419
Total non-current assets		**93,813,872**	70,472,100
Current			
Inventories	14	**959,680**	553,909
Trade and other receivables	15	**2,542,060**	1,652,888
Cash and cash equivalents		**2,853,292**	6,414,854
Total current assets		**6,355,032**	8,621,651
Total assets		**100,168,904**	79,093,751
Liabilities			
Current liabilities			
Trade and other payables	16	**(8,493,990)**	(6,147,068)
Borrowings	18	**–**	(244,707)
Total current liabilities		**(8,493,990)**	(6,391,775)
Non-current			
Borrowings	18	**(11,600,000)**	–
Other payables	17	**–**	(310,000)
Deferred tax liabilities	21	**(1,536,615)**	(1,081,823)
Total non-current liabilities		**(13,136,615)**	(1,391,823)
Total liabilities		**(21,630,605)**	(7,783,598)
Net assets		**78,538,299**	71,310,153
Equity			
Share capital	22	**30,651,257**	28,233,667
Share premium	22	**38,286,793**	31,276,189
Convertible preference share (CPS)	22	**–**	–
Own shares (JSOP)	22	**(3,272,500)**	–
Other reserve	22	**92,042**	92,042
Share-based payment reserve	22	**703,552**	326,364
Retained earnings	22	**12,077,155**	11,381,891
Total equity		**78,538,299**	71,310,153

The notes form part of these accounts.

Approved by the Board and authorised for issue on 8 April 2019.

Clive Watson
Chairman

Tarquin Williams
Chief Financial Officer

Company No. 07814568

Company statement of financial position

as at 30 December 2018

	Notes	2018 £	2017 £
Assets			
Non-current			
Intangible assets	11	**1,961,138**	1,102,295
Property, plant and equipment	12	**46,387,794**	38,845,198
Investments in subsidiaries	13	**12,063,147**	11,913,696
Total non-current assets		**60,412,079**	51,861,189
Current			
Inventories	14	**478,831**	287,607
Trade and other receivables	15	**19,859,377**	11,569,904
Cash and cash equivalents		**2,245,879**	4,536,505
Total current assets		**22,584,087**	16,394,016
Total assets		**82,996,166**	68,255,205
Liabilities			
Current liabilities			
Trade and other payables	16	**(5,085,189)**	(3,390,548)
Borrowings	18	**–**	(122,354)
Total current liabilities		**(5,085,189)**	(3,512,902)
Non-current			
Borrowings	18	**(7,100,000)**	–
Deferred tax liabilities	21	**(667,093)**	(308,369)
Total non-current liabilities		**(7,767,093)**	(308,369)
Total liabilities		**(12,852,282)**	(3,821,271)
Net assets		**70,143,884**	64,433,934
Equity			
Share capital	22	**30,651,257**	28,233,667
Share premium	22	**38,286,793**	31,276,189
Convertible preference share (CPS)	22	**–**	–
Own shares (JSOP)	22	**(3,272,500)**	–
Share-based payment reserve	22	**575,491**	198,303
Retained earnings	22	**3,902,843**	4,725,775
Total equity		**70,143,884**	64,433,934

The profit for the financial period of the Parent Company, The City Pub Group plc was £447,454 (2017: loss £1,248,607).

The notes form part of these accounts.

Approved by the Board and authorised for issue on 8 April 2019.

Clive Watson
Chairman

Tarquin Williams
Chief Financial Officer

Company No. 07814568

Consolidated statement of changes in equity

for the 52 week period ended 30 December 2018

	Notes	Share capital	Share premium	Convertible preference share ("CPS")	Own shares (JSOP)	Other reserve	Share-based payment reserve	Retained earnings	Total
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
Employee share-based compensation	25	–	–	–	–	–	377,188	–	377,188
Issue of new shares	22	1,455,090	4,700,604	–	–	–	–	–	6,155,694
Purchase of JSOP shares	22	962,500	2,310,000		(3,272,500)	–	–	–	–
Dividends	9	–	–	–	–	–	–	(1,270,386)	(1,270,386)
Transactions with owners		2,417,590	7,010,604	–	(3,272,500)	–	377,188	(1,270,386)	5,262,496
Profit for the period		–	–	–	–	–	–	1,965,650	1,965,650
Total comprehensive income for the period		**–**	**–**	**–**	**–**	**–**	**–**	**1,965,650**	**1,965,650**
Balance at 30 December 2018		**30,651,257**	**38,286,793**	**–**	**(3,272,500)**	**92,042**	**703,552**	**12,077,155**	**78,538,299**

The notes form part of these accounts.

Company statement of changes in equity

for the 52 week period ended 30 December 2018

	Notes	Share capital	Share premium	Convertible preference share ("CPS")	Own shares (JSOP)	Share-based payment reserve	Retained earnings	Total
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
Employee share-based compensation	25	–	–	–	–	377,188	–	377,188
Issue of new shares	22	1,455,090	4,700,604	–	–	–	–	6,155,694
Purchase of JSOP shares	22	962,500	2,310,000	–	(3,272,500)	–	–	–
Dividends	9	–	–	–	–	–	(1,270,386)	(1,270,386)
Transactions with owners		2,417,590	7,010,604	–	(3,272,500)	377,188	(1,270,386)	5,262,496
Profit for the period		–	–	–	–	–	447,454	447,454
Total comprehensive income for the period		**–**	**–**	**–**	**–**	**–**	**447,454**	**447,454**
Balance at 30 December 2018		**30,651,257**	**38,286,793**	**–**	**(3,272,500)**	**575,491**	**3,902,843**	**70,143,884**

The notes form part of these accounts.

Consolidated statement of cash flows

for the 52 week period ended 30 December 2018

	Notes	2018 £	2017 £
Cash flows from operating activities			
Profit/(loss) for the period		**1,965,650**	(716,441)
Taxation	7	**654,011**	456,423
Finance costs	6	**189,685**	986,560
Operating profit		**2,809,346**	726,542
Adjustments for:			
Depreciation	5	**2,552,296**	1,963,891
Share-based payment charge	25	**377,188**	258,195
Impairment	12	**479,998**	450,000
Change in inventories		**(405,770)**	(87,590)
Change in trade and other receivables		**(992,884)**	(366,233)
Change in trade and other payables		**2,152,316**	1,252,254
Cash generated from operations		**6,972,490**	4,197,059
Tax paid		**(534,743)**	(150,832)
Net cash from operating activities		**6,437,747**	4,046,227
Cash flows from investing activities			
Purchase of property, plant and equipment	12	**(11,430,534)**	(7,610,731)
Acquisition of new property sites	26	**(14,360,680)**	(11,454,000)
Net cash used in investing activities		**(25,791,214)**	(19,064,731)
Cash flows from financing activities			
Proceeds from issue of share capital	22	**5,972,772**	34,678,775
Repayment of borrowings		**(244,707)**	(13,610,040)
Dividends paid	9	**(1,087,465)**	(227,092)
Purchase of own shares		**–**	(72,750)
Proceeds from new borrowings	18	**11,600,000**	–
Interest paid	6	**(448,695)**	(600,121)
Net cash from financing activities		**15,791,905**	20,168,772
Net change in cash and cash equivalents		**(3,561,562)**	5,150,268
Cash and cash equivalents at the start of the period		**6,414,854**	1,264,586
Cash and cash equivalents at the end of the period		**2,853,292**	6,414,854

The notes form part of these accounts.

Company statement of cash flows

for the 52 week period ended 30 December 2018

	Notes	2018 £	2017 £
Cash flows from operating activities			
Profit/(loss) for the period		**447,454**	(1,248,607)
Taxation		**161,170**	200,093
Finance costs		**94,843**	500,958
Operating profit/(loss)		**703,467**	(547,556)
Adjustments for:			
Depreciation	12	**1,508,221**	1,173,267
Share-based payment charge		**377,188**	163,270
Impairment		**479,997**	–
Change in inventories		**(191,224)**	(20,781)
Change in trade and other receivables		**(8,297,154)**	(10,755,427)
Change in trade and other payables		**1,661,828**	1,281,743
Cash generated from/(used in) operations		**(3,757,677)**	(8,705,484)
Tax paid		**(235,243)**	(101,323)
Net cash used in operating activities		**(3,992,920)**	(8,806,807)
Cash flows from investing activities			
Purchase of property, plant and equipment	12	**(4,750,632)**	(5,390,676)
Acquisition of new property sites	26	**(5,185,680)**	(8,819,000)
Net cash used in investing activities		**(9,936,312)**	(14,209,676)
Cash flows from financing activities			
Proceeds from issue of share capital		**5,972,772**	34,613,877
Repayment of borrowings		**(122,354)**	(7,456,294)
Dividends paid		**(1,087,465)**	(113,733)
Purchase of own shares		**–**	(72,750)
Proceeds from new borrowings		**7,100,000**	–
Interest paid		**(224,347)**	(307,738)
Net cash from financing activities		**11,638,606**	26,663,362
Net change in cash and cash equivalents		**(2,290,626)**	3,646,879
Cash and cash equivalents at the start of the period		**4,536,505**	889,626
Cash and cash equivalents at the end of the period		**2,245,879**	4,536,505

The notes form part of these accounts.

Notes to the financial statements

for the 52 week period ended 30 December 2018

1 Company information

The financial statements of The City Pub Group plc (as consolidated "the Group") for the 52 week period ended 30 December 2018 were authorised for issue in accordance with a resolution of the directors on 8 April 2019. 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 30 December 2018 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), Flamequire Limited (Company No. 01834157), Randall and Zacharia Limited (Company No. 08465216) and Chapel 1877 Limited (Company 04545416) 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 prior period before 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

New Standards adopted in the current period

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2018. Information on the key new standards is presented below:

IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 and is effective for annual periods beginning on or after 1 January 2018. The amendments to IFRS 9 introduce extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new "expected credit loss" model for the impairment of financial assets.

When adopting IFRS 9, the Group has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement and impairment would be recognised in retained earnings. IFRS 9 also contains new requirements on the application of hedge accounting, which are not relevant to the Company.

On adoption of IFRS 9 there were no material impacts on the Group's financial performance or statement of financial position. No adjustments were required to the retained earnings as there have been no changes to the classification or measurement of any of the Group's financial instruments as a result of the application of IFRS 9.

IFRS 15 "Revenue from contracts with customers"

IFRS 15 and the related "Clarifications to IFRS 15 Revenue from Contracts with Customers" (hereinafter referred to as "IFRS 15") presents new requirements for the recognition of revenue, replacing IAS 18 "Revenue", IAS 11 "Construction Contracts" and several revenue-related interpretations. The new Standard has been applied retrospectively without restatement, with the cumulative effect of initial application to be recognised as an adjustment to the opening balance of retained earnings at 1 January 2018. In accordance with the transition guidance, IFRS 15 has only been applied to contracts that are incomplete as at 1 January 2018.

The adoption of IFRS 15 has not led to any adjustment to the opening balance of retained earnings, as the treatment of revenue has not led to any material differences.

The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or service to a customer. The Group's revenue streams are not based on a number of performance obligations within a contract, but at a point of sale and therefore there are no material changes to the Group's financial performance or financial position on adoption of this Standard. The Group recognises revenue from the principal activities of sale of food and drink within its pubs, for which the consideration is known and the performance obligations are satisfied at the point of sale.

Notes to the financial statements cont'd

for the 52 week period ended 30 December 2018

2 **Significant accounting policies** continued

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 16, "Leases", effective date 1 January 2019
- IFRIC 23 "Uncertainty over Income Tax Treatments" (effective 1 January 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" (effective 1 January 2019 and not yet endorsed by the EU)

The above standards are yet to be subject to a detailed review. IFRS 16 is yet to be subject to a detailed review but will impact the treatment of leases currently treated as operating leases, by bringing lease liabilities and an associated asset into the statement of financial position. The biggest impact is likely to relate to property leases, it is not practicable to provide a reasonable estimate of the effect of IFRS 16 until a detailed review has been completed. This is not effective for the group until period ending December 2020.

2.4 **Predecessor value method**

During the prior 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**

In adopting the going concern basis for preparing the financial statements, the Board has considered the business activities as set out within the Strategic Report along with the principal risks and uncertainties. Based on the current financial projections to 30 June 2020 and having considered the facilities available, the Board is confident that the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Board consider it appropriate for the Group to adopt the going concern basis in preparing its financial statements.

We are currently in negotiation to increase and extend our banking facilities on improved terms. This will give us additional capacity to acquire new sites and take advantage of other opportunities.

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. Loyalty card revenue is immaterial and therefore no change in accounting policy is considered necessary.

Presentation and disclosures

Presentation of comparative consolidated revenue is in accordance with the previous standard IAS 18 "Revenue Recognition". No material measurement or recognition differences on comparative information were identified between IAS 18 and the current standard IFRS 15. For further understanding of the impact of the transition to IFRS 15, refer to section 2.3.

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 (including acquisition costs) and non-recurring costs, which are not expected to recur at a particular site.

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 is recognised on an effective interest rate basis, resulting from the financial liability being recognised on an amortised cost basis, including commitment fees. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale.

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.

Notes to the financial statements cont'd

for the 52 week period ended 30 December 2018

2 Significant accounting policies continued

2.12 Financial instruments

The Group has elected to apply the limited exemption in IFRS 9 relating to classification, measurement and impairment requirements for financial instruments, and accordingly comparative periods have not been restated and remain in line with the previous standard IAS 39 "Financial Instruments: Recognition and Measurement". For further understanding of the transition to IFRS 9 refer to section 2.3.

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 the Group classifies its financial assets into the following categories: those to be measured subsequently at fair value (either through other comprehensive income (FVOCI) or through the income statement (FVPL)) and those to be held at amortised cost.

Classification depends on the business model for managing the financial assets and the contractual terms of the cash flows.

Management determines the classification of financial assets at initial recognition. The Group's policy with regard to financial risk management is set out in note 19. Generally, the Group does not acquire financial assets for the purpose of selling in the short term and does not have any financial assets measured at fair value through the income statement (FVPL) or at fair value through other comprehensive income (FVOCI) in either the current or prior year.

The Group's business model is primarily that of "hold to collect" (where assets are held in order to collect contractual cash flows).

Financial assets held at amortised cost

This classification applies to the Group's trade & other receivables which are held under a hold to collect business model and which have cash flows that meet the solely payments of principal and interest (SPPI) criteria. At initial recognition, trade and other receivables that do not have a significant financing component, are recognised at their transaction price. Other financial assets are initially recognised at fair value plus related transaction costs; they are subsequently measured at amortised cost using the effective interest method. Any gain or loss on derecognition or modification of a financial asset held at amortised cost is recognised in the income statement.

Impairment of financial assets

A forward-looking expected credit loss (ECL) review is required for: debt instruments measured at amortised cost or held at fair value through other comprehensive income; loan commitments and financial guarantees not measured at fair value through profit or loss; lease receivables and trade receivables that give rise to an unconditional right to consideration.

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the "expected credit loss (ECL) model". This replaces IAS 39's "incurred loss model". The Group's instruments within the scope of the new requirements included trade and other receivables.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

As permitted by IFRS 9, the Group applies the "simplified approach" to trade and other receivable balances and the "general approach" to all other financial assets. The simplified approach in accounting for trade and other receivables records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses. The general approach incorporates a review for any significant increase in counterparty credit risk since inception. The ECL reviews include assumptions about the risk of default and expected loss rates.

The nature of the Group's trade and other receivables are such that the expected credit loss is immaterial in the current and prior year, therefore no additional disclosures are considered necessary within the credit risk section of note 19.

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.

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. There have been no changes to what the Group considers to be capital since the prior year.

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 re-organisation that took place prior to Listing, business combinations, which include sites that are operating as a going concern at acquisition and where substantive processes are acquired, 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.

Notes to the financial statements cont'd

for the 52 week period ended 30 December 2018

2 Significant accounting policies continued

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.

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.

2.20 **Investment in own shares (JSOP)**

Shares held in the City Pub Group Joint Share Ownership Plan ("JSOP") are shown as a deduction in arriving at equity funds on consolidation. Assets, liabilities and reserves of the JSOP are included in the statutory headings to which they relate. Purchases and sales of own shares increase or decrease the book value of "Own shares" in the statement of financial position. At each period end the Group assess and recognises the value of "Own shares" held with reference to the expected cash proceeds and accounts for any difference as a reserves transfer.

3 Significant judgements and estimates

The judgements, 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.

Judgement is required when determining if an acquisition is a business combination or a purchase of an asset. Each acquisition is assessed individually to determine which is the most appropriate classification.

Judgement is used to determine those items that should be separately disclosed to allow a better understanding of the underlying trading performance of the Group. The judgement includes assessment of whether an item is of a nature that is not consistent with normal trading activities or of a sufficient size or infrequency.

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

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 estimation. 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.

Notes to the financial statements cont'd

for the 52 week period ended 30 December 2018

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 and depreciation) 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.

	2018 £	2017 £
Revenue	**45,674,016**	37,403,515
Cost of sales	**(11,620,737)**	(9,657,731)
Gross profit	**34,053,279**	27,745,784
Operating expenses:		
• Operating expenses before adjusting items	**(26,193,993)**	(21,596,513)
Adjusted EBITDA	**7,859,286**	6,149,271
• Depreciation	**(2,552,296)**	(1,963,891)
• Share option charge	**(377,188)**	(258,195)
• Exceptional items	**(2,120,456)**	(3,200,643)
Total operating expenses	**(31,243,933)**	(27,019,242)
Operating profit	**2,809,346**	726,542

5 Profit/(loss) on ordinary activities before taxation

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

	2018 £	2017 £
Costs of inventories recognised as an expense	**12,288,424**	10,412,084
Staff costs (note 23)	**16,612,882**	14,003,402
Depreciation	**2,552,296**	1,963,891
Fees payable to the company's auditor for the audit of the company's financial statements	**56,000**	52,500
Fees payable to the company's auditor for the audit of the group financial statement	**10,500**	10,000
Tax compliance	**12,000**	15,661
Tax advisory services	**8,000**	56,948
Corporate finance services	**–**	185,988
Exceptional costs (note 8)	**2,120,456**	3,200,643
Operating leases – land and buildings	**1,571,644**	1,256,182

6 Interest payable and similar charges

	2018 £	2017 £
On bank loans and overdrafts	**448,695**	417,952
On CPS and other loans	**–**	323,901
Accrued dividend on CPS	**–**	244,707
Total interest payable	**448,695**	986,560
Interest expense capitalised within property, plant & equipment	**(259,010)**	–
Total finance cost	**189,685**	986,560

During the period £259,010 of interest was capitalised; (2017: £nil). The accrued dividend on the CPS was paid in January 2018.

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

(a) Analysis of tax charge for the period

The tax charge for the Group is based on the profit/(loss) for the period and represents:

	2018 £	2017 £
Current income tax:		
Current income tax charge	**603,784**	335,014
Adjustments in respect of previous period	**(80,725)**	44,114
Total current income tax	**523,059**	379,128
Deferred tax:		
Origination and reversal of temporary differences	**130,952**	85,229
Adjustments in respect of deferred tax of previous period	**–**	(7,934)
Total deferred tax	**130,952**	77,295
Total tax	**654,011**	456,423

Notes to the financial statements cont'd

for the 52 week period ended 30 December 2018

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

(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 19.00% (2017: 19.25%). The differences are explained as follows:

	2018 £	2017 £
Profit/(loss) on ordinary activities before tax	**2,619,661**	(260,018)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 19.00% (2017: 19.25%)	**497,736**	(50,054)
Effect of:		
Fixed asset differences	**66,228**	53,187
Items not deductible for tax purposes	**170,772**	598,830
Adjustment in respect of previous periods	**(80,725)**	44,114
Adjustment in respect of previous periods – deferred tax	**–**	(7,934)
Share options tax deduction	**–**	(181,720)
Total tax charge	**654,011**	456,423

8 Exceptional items

	2018 £	2017 £
Pre opening costs	**1,454,483**	852,718
Impairment of a pub site	**479,998**	450,000
Other non recurring items	**185,975**	1,897,925
	2,120,456	3,200,643

Other non-recurring items include IPO costs expensed totalling £50,348 for the period ended 30 December 2018 (2017: £1,841,190).

9 Dividends

Dividends paid during the reporting period

The Board declared a dividend of 2.25p (2017: 1.5p) per 50p Ordinary share for shareholders on the share register as at 1 June 2018, which was approved at the Annual General Meeting and paid on 2 July 2018. The Group received valid elections for the scrip dividend alternative in respect of 8,135,574 ordinary share of 50 pence each, which lead to a total of 86,816 new ordinary shares being allotted by the Company to shareholders who elected to receive the scrip dividend alternative.

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 2.75p per fully paid Ordinary share (2017: 2.25p). The aggregate amount of the proposed dividend expected to be paid out of retained earnings at 1 July 2019, but not recognised as a liability at the year end, is £1,632,882 (2017: £1,270,386).

10 Earnings per share

	2018 £	2017 £
Earnings/(loss) for the period attributable to Shareholders	**1,965,650**	(716,441)
Earnings/(loss) per share:		
Basic earnings/(loss) per share (p)	**3.23**	(2.45)
Diluted earnings/(loss) per share (p)	**3.05**	(2.45)

Weighted average number of shares:	**Number of shares**	Number of shares
Weighted average shares for basic EPS	**60,801,921**	29,189,803
Effect of share options in issue	**3,750,956**	n/a
Weighted average shares for diluted earnings per share	**64,552,877**	n/a

Shares held by the City Pub Group plc Joint Share Ownership Plan ("JSOP"), which has waived its entitlement to receive dividends, are treated as cancelled for the purpose of this calculation.

11 Goodwill

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Cost brought forward	**2,524,681**	1,359,713	**1,102,295**	407,758
Additions	**1,328,840**	1,164,968	**918,840**	694,537
At end of period	**3,853,521**	2,524,681	**2,021,135**	1,102,295
Amortisation/impairment brought forward	**–**	–	**–**	–
Provided during the period	**(59,997)**	–	**(59,997)**	–
Disposal	**–**	–	**–**	–
At end of period	**–**	–	**–**	–
Net book value at end of period	**3,793,524**	2,524,681	**1,961,138**	1,102,295
Net book value at start of period	**2,524,681**	1,359,713	**1,102,295**	407,758

The carrying value of goodwill included within the Group statement of financial position is £3,793,524 (Company: £1,961,138), which is allocated to the cash-generating unit ("CGU") of groupings of public houses as follows:

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Freehold	**2,396,042**	2,072,198	**968,105**	704,262
Leasehold	**1,397,482**	452,483	**993,033**	398,033
	3,793,524	2,524,681	**1,961,138**	1,102,295

Notes to the financial statements cont'd

for the 52 week period ended 30 December 2018

11 Goodwill continued

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.

For the 52 week period ended 30 December 2018, 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 25 December 2016	43,624,547	11,867,609	55,492,156
Additions	4,654,086	2,956,645	7,610,731
Acquisitions	11,309,465	1,014,998	12,324,463
At 31 December 2017	**59,588,098**	**15,839,252**	**75,427,350**
Additions	7,381,142	4,308,402	11,689,544
Acquisitions (Note 26)	11,717,988	1,637,692	13,355,680
At 30 December 2018	**78,687,228**	**21,785,346**	**100,472,574**
Depreciation			
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**
Provided during the period	348,571	2,203,725	2,552,296
Impairment	419,999	–	419,999
At 30 December 2018	**2,200,651**	**8,251,575**	**10,452,226**
Net book value			
At 30 December 2018	**76,486,577**	**13,533,771**	**90,020,348**
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

During the period ended 30 December 2018 the group has made a provision for impairment against a Pub Site in Cambridge, due to poor performance and it has been reduced to its value in use (using assumptions as outlined in note 11). The value in use represents a Level 3 fair value measurement, with the asset being held at its recoverable amount of £340,000. In addition, the group has made a provision for impairment against the Grapes in Oxford, which was written down to its recoverable amount, with its disposal completed on 25th February 2019.

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.

During the period ended 30 December 2018 the group capitalised £259,010 of interest within the Freehold & Leasehold property asset.

Company	Freehold & leasehold property £	Fixtures, fittings and computers £	Total £
Cost			
At 25 December 2016	21,250,260	7,346,992	28,597,252
Additions	3,351,534	2,039,142	5,390,676
Acquisitions	8,209,465	1,014,998	9,224,463
At 31 December 2017	**32,811,259**	**10,401,132**	**43,212,391**
Additions	2,758,462	2,121,675	4,880,137
Acquisitions (Note 26)	4,156,738	433,942	4,590,680
At 30 December 2018	**39,726,459**	**12,956,749**	**52,683,208**
Depreciation			
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**
Provided during the period	255,807	1,252,414	1,508,221
Impairment	420,000	–	420,000
At 30 December 2018	**1,332,397**	**4,963,017**	**6,295,414**
Net book value			
At 30 December 2018	**38,394,062**	**7,993,732**	**46,387,794**
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

Notes to the financial statements cont'd

for the 52 week period ended 30 December 2018

13 Investments in subsidiaries

Company	2018 £	2017 £
At start of period	**11,913,696**	250,153
Additions	**399,604**	11,663,543
Disposal on liquidation of subsidiaries	**(250,153)**	–
At end of period	**12,063,147**	11,913,696

During the year the Company acquired 100% of the share capital of Randall & Zacharia Limited and Chapel 1877 Ltd as part of Pub acquisitions – see note 26.

During the year the group liquidated two subsidiaries held by the Company at the beginning of the year, being The Fat Pheasant Pub Company Limited and Ace High Enterprises Limited.

During the prior 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 30 December 2018:

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
Randall & Zacharia Limited	Ordinary	England and Wales	100%	Dormant
Chapel 1877 Ltd	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 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Finished goods and goods for resale	**959,680**	553,909	**478,831**	287,607

15 Trade and other receivables

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Trade receivables	**209,331**	133,520	**106,007**	66,483
Other receivables	**813,183**	510,946	**529,196**	230,261
Amounts due from group undertakings	**–**	–	**18,335,959**	10,687,384
Prepayments and accrued income	**1,519,546**	1,008,422	**888,215**	585,776
	2,542,060	1,652,888	**19,859,377**	11,569,904

16 Current trade and other payables

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Trade payables	**3,467,217**	2,216,492	**1,733,609**	1,244,213
Corporation taxation	**252,111**	367,506	**–**	116,637
Other taxation and social security	**1,778,170**	1,563,842	**1,584,057**	680,191
Amounts due to group undertakings	**–**	–	**399,604**	250,153
Accruals	**1,701,238**	1,441,726	**934,350**	839,156
Other payables (note 17)	**1,295,254**	557,502	**433,569**	260,198
	8,493,990	6,147,068	**5,085,189**	3,390,548

17 Non-current other payables

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Deferred consideration	**–**	310,000	**–**	–

Deferred consideration has arisen in relation to the acquisition of the Old Fire House, see prior year accounts, with the £310,000 from the prior year now due within one year and included within other payables as at 30 December 2018 (2017: £155,000 of deferred consideration included within current other payables).

18 Borrowings and financial liabilities

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Current borrowings and financial liabilities:				
CPS dividend payable	**–**	244,707	**–**	122,354
	–	244,707	**–**	122,354
Non-current borrowings and financial liabilities:				
Bank loans	**11,600,000**	–	**7,100,000**	–
	11,600,000	–	**7,100,000**	–

At 30 December 2018 a revolving credit facility of £11,600,000 (2017: £nil) was outstanding, 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 revolving credit facility is repayable in June 2021.

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

Notes to the financial statements cont'd

for the 52 week period ended 30 December 2018

18 Borrowings and financial liabilities continued

Reconciliation of liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Long-term Borrowings £	Short-term Borrowings £	Total £
At 1 January 2018	–	244,707	244,707
Cash flows:			
Proceeds	11,600,000	–	11,600,000
Repayments	–	(244,707)	(244,707)
Non-cash items:	–	–	–
At 30 December 2018	**11,600,000**	**–**	**11,600,000**

	Long-term Borrowings £	Short-term Borrowings £	Total £
At 31 December 2017	18,004,917	294,396	18,299,313
Cash flows:			
Repayments	(13,560,351)	(49,689)	(13,610,040)
Non-cash items:			
Conversion of Convertible Preference Shares	(4,444,566)	–	(4,444,566)
At 30 December 2018	**–**	**244,707**	**244,707**

The changes in the Company's liabilities arising from financing activities can be classified as follows:

	Long-term Borrowings £	Short-term Borrowings £	Total £
At 1 January 2018	–	122,354	122,354
Cash flows:			
Proceeds	7,100,000	–	7,100,000
Repayments	–	(122,354)	(122,354)
Non-cash items:	–	–	–
At 30 December 2018	**7,100,000**	**–**	**7,100,000**

	Long-term Borrowings £	Short-term Borrowings £	Total £
At 31 December 2017	9,653,732	147,198	9,800,930
Cash flows:			
Repayments	(7,431,449)	(24,844)	(7,456,293)
Non-cash items:			
Conversion of Convertible Preference Shares	(2,222,283)	–	(2,222,283)
At 30 December 2018	**–**	**122,354**	**122,354**

19 Financial instruments and risk management

Financial instruments by category:

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Financial assets – loans and receivables				
Trade and other receivables	**1,022,514**	644,466	**635,204**	296,744
Amounts due from group undertakings	**–**	–	**18,335,959**	10,687,384
Cash and cash equivalents	**2,853,292**	6,414,854	**2,245,879**	4,536,505
	3,875,806	7,059,320	**21,217,041**	15,520,633

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

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Non-current				
Borrowings	**11,600,000**	–	**7,100,000**	–
Other payables	**–**	310,000	**–**	–
	11,600,000	310,000	**7,100,000**	–
Current				
Current borrowings	**–**	244,707	**–**	122,354
Trade and other payables	**4,762,471**	2,773,994	**2,167,178**	1,504,411
Amounts due to group undertakings	**–**	–	**399,604**	250,153
	4,762,471	3,018,701	**2,566,782**	1,876,918

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 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
A1	**2,722,899**	6,336,686	**2,187,521**	4,495,940
Not rated	**130,393**	78,168	**58,358**	40,565
	2,853,292	6,414,854	**2,245,879**	4,536,505

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.

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19 Financial instruments and risk management continued

Market risk – cash flow interest rate risk

The Group had outstanding borrowing of £11,600,000 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 30 December 2018, 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.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 1% on borrowings in the period (2017: £nil). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate on borrowings for each period. All other variables are held constant.

	Profit for the year		Equity	
	+1%	-1%	+1%	-1%
30 December 2018	**(167,700)**	**167,700**	**(167,700)**	**167,700**
31 December 2017	–	–	–	–

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.

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 30 December 2018:				
Borrowings	**–**	**–**	**11,600,000**	**–**
Trade and other payables	**4,762,471**	**–**	**–**	**–**
As at 31 December 2017:				
Borrowings	244,707	–	–	–
Trade and other payables	2,773,994	310,000	–	–

Company	Less than 1 year £	Between 1 and 2 years £	Between 2 and 5 years £	Over 5 years £
As at 30 December 2018:				
Borrowings	**–**	**–**	**7,100,000**	**–**
Trade and other payables	**2,566,782**	**–**	**–**	**–**
As at 31 December 2017:				
Borrowings	122,354	–	–	–
Trade and other payables	1,754,564	–	–	–

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 26 December 2016, 31 December 2017 or 30 December 2018.

21 Deferred tax

	Group 2018 £	Group 2017 £	**Company 2018 £**	Company 2017 £
Provision for deferred tax				
Accelerated capital allowances	**742,344**	611,392	**343,252**	308,369
Arising on acquisition	**794,271**	470,431	**323,840**	–
	1,536,615	1,081,823	**667,092**	308,369
Provision at the start of the period	**1,081,823**	534,097	**308,369**	290,705
Arising on acquisition	**323,840**	470,431	**323,840**	–
Deferred tax charge for the period	**130,952**	77,295	**34,883**	17,664
Provision at the end of the period	**1,536,615**	1,081,823	**667,092**	308,369

Notes to the financial statements cont'd

for the 52 week period ended 30 December 2018

22 Share capital

	2018 £	2017 £
Allotted called up and fully paid		
61,302,514 Ordinary shares of 50 pence each: (2017: 56,467,333)	**30,651,257**	28,233,667

During the year the Company established an Employee Benefit Trust, the trustee of which, Estera Trust (Jersey) Limited, was issued with 1,925,000 ordinary shares of 50 pence per share on 25 January 2018.The ordinary shares of 50 pence per share were issued at a price of 170 pence per share, with the premium credited to the share premium account.

On 2 July 2018 86,816 new ordinary shares of 50 pence per share were issued as part of the scrip dividend alternative, with an issue price of 210.7 pence per share, with the premium credited to the share premium account.

On 10 October 2018 the Company entered into a Placing of shares and issued 2,823,365 new ordinary shares of 50 pence per share at a placing price of 220 pence per share. The premium, less the share issue costs of £238,630, was credited to the share premium account.

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 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 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	–	–
Issue of new ordinary shares to own shares (JSOP)	1,925,000	–	–
Issue of new ordinary shares for Scrip dividend	86,816	–	–
Issue of new ordinary shares on Placing	2,823,365	–	–
At 30 December 2018	**61,302,514**	**–**	**–**

Own shares held (JSOP)
The Group announced the establishment of a Joint Share Ownership Plan ("JSOP") in January 2018, as detailed in the Company's AIM Admission Document, to be used as part of the remuneration arrangements for employees. This resulted in the purchase of the Group's own shares and the creation of an Employee Benefit Trust.

The JSOP purchases shares in the Company to satisfy the Company's obligations under its JSOP performance share plan. 1,925,000 shares (2017: nil) in the Company were purchased during the period at a cost of £3,272,500 (2017: £nil).

At 30 December 2018 the JSOP held 1,925,000 ordinary shares in The City Pub Group plc (2017: nil).

At 30 December 2018 awards over 1,925,000 (2017: nil) ordinary shares The City Pub Group plc, made under the terms of the performance share plan, were outstanding.

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.

Own shares (JSOP) represents shares in the Company purchased by the Group's Employee Benefit Trust as part of a Joint Share Ownership Plan ("JSOP").

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.

23 Staff costs

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

	2018	2017
Management and Administration	80	61
Operation of Public Houses	832	462
	912	523

Employment costs (including Directors)

	2018 £	2017 £
Wages and salaries	15,204,215	12,882,845
Social security costs	1,031,479	862,362
Share options	377,188	258,195
	16,612,882	14,003,402

Notes to the financial statements cont'd

for the 52 week period ended 30 December 2018

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		Pension/Other		JSOP/EMI		Total	
	2018 £000	2017 £000	**2018 £000**	2017 £000	**2018 £000**	2017 £000	**2018 £000**	2017 £000	**2018 £000**	2017 £000	**2018 £000**	2017 £000	**2018 £000**	2017 £000
Clive Watson	**130**	101	**–**	136	**–**	254	**4**	3	**4**	1	**40**	269	**178**	764
Alex Derrick	**130**	101	**–**	147	**–**	180	**6**	5	**4**	1	**40**	208	**180**	642
Rupert Clark	**130**	101	**–**	156	**–**	240	**9**	5	**4**	1	**40**	208	**184**	711
Tarquin Williams	**115**	86	**–**	71	**–**	128	**2**	2	**4**	1	**40**	–	**160**	288
Richard Prickett	**40**	8	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**40**	8
John Roberts	**30**	28	**–**	31	**–**	42	**–**	–	**41**	41	**–**	–	**71**	142
Neil Griffiths	**29**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**29**	–
David Bruce	**–**	42	**–**	41	**–**	56	**–**	–	**–**	–	**–**	–	**–**	139
James Watson	**–**	16	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	16
Total	**604**	483	**–**	582	**–**	900	**21**	15	**57**	45	**160**	685	**842**	2,710

* 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.

Emoluments in respect of the Directors are as follows:

	2018 £	2017 £
Remuneration for qualifying services	**841,850**	2,710,080

The highest paid Director in the period received remuneration of £183,550; (2017: £765,414). Four directors had equity settled share options in issue at the period end (2017: Four). Additional information on Directors' remuneration is given within the Corporate Governance Report.

25 Share-based payments

The Group provides share-based payments to employees in the form of a Company Share Ownership Plan (CSOP), started in 2016, and a Joint Share Ownership Plan ("JSOP") started in the current period. The Company uses the Black-Scholes valuation model to value both types of share-based payment plan and the resulting value is amortised through the consolidated income statement over the vesting period of the share-based payments.

In prior periods the Group also operated an equity settled share option plan known as the Enterprise Management Incentive Share Option Plan. The Group was 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 was 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. In the prior period a transfer was made between the share based payment reserve and the retained earnings in respect of the EMI share options that were all exercised during the prior period.

During the period ended 30 December 2018 922,500 options were granted under the CSOP scheme (2017: nil) and 1,925,000 awards were made under the JSOP scheme (2017: nil). A share-based payment charge of £377,188 (2017: £258,195) has been reflected in the consolidated statement of comprehensive income.

The fair value of options granted in the current period and the assumptions used in the calculation are shown below:

Year of grant	2018 – CSOP	2018 – JSOP
Exercise price (£)	1.70	2.05
Number of awards granted	922,500	1,925,000
Vesting period (years)	3	3
Award life (years)	10	3
Risk free rate	1.40%	0.80%
Expected dividend yield	1.40%	1.40%
Volatility	30%	20%
Fair value (£)	0.54	0.11

Movements in share-based payments are summarised in the table below:

	2018 Number of Awards	**2018 Weighted average exercise price £**	2017 Number of Awards	2017 Weighted average exercise price £
Outstanding at start of period	**1,042,500**	**1.00**	2,447,500	0.97
Granted	**2,847,500**	**1.94**	–	–
Exercised	**–**	**–**	(1,230,000)	0.95
Expired	**(105,000)**	**(1.70)**	(175,000)	0.99
Outstanding at 30 December 2018	**3,785,000**	**1.69**	1,042,500	1.00
Exercisable at 30 December 2018	**–**	**–**	–	–

Notes to the financial statements cont'd

for the 52 week period ended 30 December 2018

26 Business combinations

During the period the Group acquired 7 new sites through business combinations, the fair values of the assets and liabilities acquired, and the nature of the consideration, are outlined within the table below. The Group has included additional disclosure of the significant acquisitions that were included within the current year business combinations.

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 2018 £	Company 2018 £
Provisional fair value:		
Property, plant and equipment acquired	**13,355,680**	**4,590,680**
Deferred tax liability	**(323,840)**	**(323,840)**
Goodwill	**1,328,840**	**918,840**
Total	**14,360,680**	**5,185,680**
Satisfied by:		
Cash	**14,360,680**	**5,185,680**

	Belle Vue	Travellers Friend	Chapel 1877
Provisional fair value:			
Property, plant and equipment acquired	2,875,000	3,940,680	2,140,000
Deferred tax liability	–	(323,840)	–
Goodwill	–	323,840	60,000
Total	2,875,000	3,940,680	2,200,000
Satisfied by:			
Cash	2,875,000	3,940,680	2,200,000

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 2018 £	Group 2017 £	**Company 2018 £**	Company 2017 £
Within one year	**1,774,803**	1,167,053	**1,299,803**	954,553
Between one and five years	**7,099,212**	4,668,212	**5,199,212**	3,818,212
After five years	**16,505,025**	12,816,510	**12,680,525**	11,171,510
	25,379,040	18,651,775	**19,179,540**	15,944,275

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:

During the period the Company hived up Randall & Zacharia Limited for £399,604 and this amount is shown as an amount due to group undertakings in note 16.

As disclosed in note 15 the Company is owed £18,335,959 (2017: £10,687,384) by its subsidiary undertakings, The City Pub Company (West) Limited.

£11,377; 2018: £10,400 was paid to Helen Watson, who is related to Clive Watson. At the period end Helen Watson was owed £nil (2017: £nil). Helen Watson has an existing £10,000 float with the group.

(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 30 December 2018 and 31 December 2017.

29 Post balance sheet events

In January 2019 the Company completed on a former Prezzo site in Exeter and a site in Norwich that will allow the Group to increase the number of letting bedrooms at the Georgian Town House.

In February 2019 the company exchanged and completed on the Pride of Paddington in London for £2,000,000 which started trading on completion.

The Group also exchanged on a freehold site in Bath and the Hoste in Burnham Market.

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 EC1 1AG
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

Designed and produced by:
Instinctif Partners www.creative.instinctif.com

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