THE CITY PUB GROUP

Annual Report & Accounts 2019

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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 48 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 31% to
£60.0m
(2018: £45.7 million)

Reported profit of
£1.3m
(2018: £2.0 million)

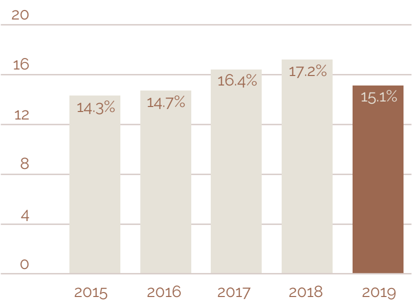
Adjusted EBITDA* up 15% to
£9.1m
(2018: £7.9 million)

Total annual dividend
Nil
(2018: 2.75p)

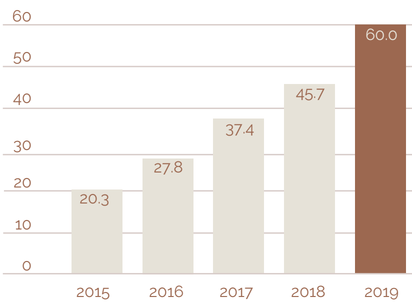
Adjusted profit before tax up 4% to**
£5.3m
(2018: £5.1 million)

Net debt to EBITDA
3.4 x
(2018: 1.1 x)

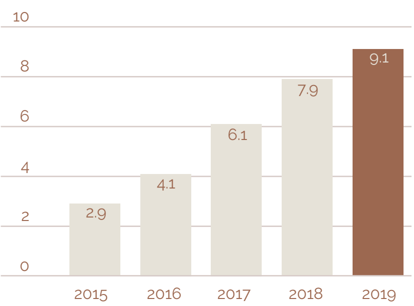
EBITDA %



Revenue (£m)



Adjusted EBITDA (£m)



Operational

58% Freehold

Land ownership

42% Leasehold

As at 11 June 2020

Number of trading sites as at March 2020 (pre COVID-19 closures)
48

Good performance with like for like sales growth of 1.7%, driven by growth in drink and accommodation.
1.7%

TripAdvisor average rating
4.2
tripadvisor

	2019				2018			
	Revenue £m	Operating profit £m	EBITDA £m	Profit before tax £m	Revenue £m	Operating profit £m	EBITDA £m	Profit before tax £m
Reported	**60.0**	**2.5**	**5.9**	**2.2**	45.7	2.8	5.4	2.6
Share option charge	**–**	**0.3**	**0.3**	**0.3**	–	0.4	0.4	0.4
Exceptional items	**–**	**2.9**	**2.9**	**2.9**	–	2.1	2.1	2.1
Rounding	**–**	**–**	**–**	**(0.1)**	–	–	–	–
Adjusted	**60.0**	**5.7**	**9.1**	**5.3**	45.7	5.3	7.9	5.1

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 customer base

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 48 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 developed to 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 our pubs to broaden the appeal to a wider range of customers.

The Group has five key target markets:

Timeline

2019

2019: Pubs added to portfolio

Pride of Paddington, London,
Hoste, Burnham Market,
Turks Head, Exeter (in development),
The Nest, Bath (in development),
Mumbles (in development)
The Island, Kensal Green
Disposal of **Grapes**, Oxford

2018

2018: Pubs added to portfolio

Belle Vue, London,
Tell Your Friends, London
The Market House, Reading (opened in 2019),
Pontcanna Inn, Cardiff,
Old Ticket Office, Cambridge,
Bow Street Tavern, London,
The Bicycle Shed, Oxford,
Tivoli, Cambridge (in development),
Jam Tree, Clapham (renamed The Yard),
Jam Tree, Chelsea (renamed The Lost Hours),
The Travellers Friend, London,
Brighton Beach Club, Brighton,
Chapel 1877, Cardiff

2017

2017: Pubs added to portfolio

Three Crowns, London,
Waterman, Cambridge,
Grapes, Oxford,
Red Lion, Cambridge,
Old Fire House, Exeter,
Aragon House, London (opened in 2019)

2016

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

2015

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

2014

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

2013

2013: Pubs added to portfolio

Alfie's, Winchester,
Bath Brew House, Bath,
The Lighthouse, London,
The Phene, London,
The Georgian Townhouse, Norwich,
The Roundhouse, London

2012

2012: First four pubs to start trading

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

2011

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

Chairman's statement

We are excited about the prospect of reopening, not least because we have an excellent team who are keen to get back to work and keen to show hospitality to our customers again. However, we will do it cautiously and above all safely.

We will reopen with a reset, more efficient, streamlined business, reduced capital expenditure and our focus on the existing estate. We have a strong balance sheet not only to endure and prosper again, but also to take advantage of opportunities that arise

2019 saw further significant growth in the Group's trading activities. We continued to expand our pub estate, focusing on bigger sites, in most cases with outside trading areas. We increased the number of letting rooms across the Group from 54 at the end of 2018, to 172 in 2019, and targeted cities where we already have a presence, e.g. Cambridge, Bath, Exeter, as well as acquiring high-quality existing trading units such as The Hoste Arms in North Norfolk.

At the time of the IPO in November 2017, we said we would double the size of our trading estate of 33 sites by mid-2021. During 2019 this strategy was revised to focus more on high-turnover sites which could generate higher levels of unit EBITDA. This revised strategy continues to be the Board's approach. With a strengthened balance sheet following our recent fundraising, we are well placed to take advantage of attractive opportunities whilst maintaining discipline.

2019 was a year of tough comparatives given England's success in the 2018 World Cup and the long, hot summer in that year. The Group also found the last quarter of 2019 challenging as trade was affected by Brexit uncertainties, the general election, poor weather conditions and also the re-opening of the two Jam Tree sites towards the end of November, which resulted in the loss of important Christmas trade.

2020 began well, but with the onset of COVID-19 our growth plans were immediately curtailed. It has been almost three months since the enforced closure of our pubs and I have been incredibly impressed by the way our team members have adapted and worked collectively. Crises often bring out the best in people and our team were quick to react and adapt to the situation. Protecting our people has always been our top priority and I can report that morale remains high amongst our employees and I am confident that we have a very motivated team that is keen to return to running pubs, providing hospitality and serving customers. This will enable us to manage the recovery from closure effectively when restrictions are lifted.

Trading estate

The Group began 2019 with 44 trading pubs and 3 development sites. We now operate 48 pubs with a further 4 sites in development.

In addition, the number of bedrooms, an area of opportunity delivering incremental and high margin income, has risen to 172 and we anticipate operating around 200 by the end of 2021. This was enhanced by the opening and acquisition of pubs with rooms during the course of 2019, such as Pride of Paddington (12), The Hoste (53), Aragon House (15) and Market House (24). We also acquired a property adjacent to the Georgian Townhouse in Norwich, which increased their room letting capacity from 22 to 36.

Construction work was stopped on the Turk's Head in Exeter due to COVID-19 but will resume once the Board considers it safe to do so. It is hoped with the current situation allowing construction work to recommence that this site will be ready to trade by October 2020.

Early-stage development of the former Tivoli site in Cambridge had also been undertaken and the Board intends to restart construction on this site to enable a pre-summer 2021 opening. The site will benefit from an open-roof trading area as well as 3 other trading floors.

A site in Bath, formerly known as The Nest, will begin construction work to also facilitate a pre-summer 2021 opening. This site benefits from a large outside trading area overlooking the city of Bath.

The Group has also exchanged contracts to build a 16-bedroom trading unit in Mumbles near Swansea. Construction on this site is anticipated to start in spring of 2021 and scheduled to open at the beginning of 2022.

Our proven strategy of developing clusters of pubs in targeted cities of England and Wales will continue. By building up clusters, we improve local expertise and create career prospects for our staff, both of which benefit the business enormously.

Our pubs are largely located in Cathedral cities. We now have 18 trading sites in London, 3 in Brighton, 9 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 presence.

Acquisitions / Openings in 2019:

- **Pride of Paddington:** a leasehold acquired in February 2019 located in a prime position next to Paddington station. We envisage significant growth potential with the opening of Crossrail. The site also benefits from accommodation through its hostel and letting rooms.
- **The Hoste Arms, Burnham Market, North Norfolk:** an iconic 53-bedroom site with spa, cinema and gym. It is a prominent and popular location only a 45-minute drive from Norwich where we also operate the Georgian Town House which offers 36 bedrooms. These two sites complement each other well in terms of marketing, suppliers, staff and other operational activity.
- **Aragon House, Parsons Green:** a large site located on the edge of Parsons Green in south west London, which opened to the public in June 2019. The pub offers a large beer garden and 15 boutique letting rooms.
- **Market House, Reading:** a former bank that has been transformed into a pub with 24 bedrooms. The business trades across four floors and offers customers a beer garden and roof terrace. The site opened in July 2019.
- **Island, Kensal Green:** a freehold acquired in July 2019. This site is leased out to another operator who runs this site as a tenanted pub.

Disposals:

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

Chairman's statement cont'd

Adjusted EBITDA* has increased from £7.9m to

£9.1m

Financial highlights
Summary for the year ended 29 December 2019:

- Revenue up 31% to £60.0 million (2018: £45.7 million)
- Like for like sales up 1.7%
- Adjusted EBITDA* up 15.4% to £9.1 million (2018: £7.9 million)
- Adjusted profit before tax** up 4% to £5.3 million (2018: £5.1 million)
- Reported profit of £1.3 million (2018: £2.0 million)

The Board is pleased with the significant increase in the Group's adjusted EBITDA. Operating margins temporarily decreased from 17.2% to 15.1% reflecting the unwinding of the annual profit share scheme alongside the introduction of a well-received weekly based scheme, and the implementation of a regional-based operational structure developed to manage more efficiently the increasing scale of our estate. This temporary decline in operating margin performance will be reversed when we return to normal trading, partly as a result of the one-off nature of the causes, but also by further streamlining of many of the cost bases in the pubs and at head office. The proportion of room sales in the sales mix will also drive operating margin improvement.

The Directors have taken the prudent step to write down £1.9m across a number of pubs as a property impairment charge.

During the year, we invested £3.4 million into refurbishing and maintaining the existing estate.

COVID-19 and equity fundraising
The impact of COVID-19 has had a devastating impact on the pub sector, with the enforced closure of all the Company's pubs on 20 March 2020.

The Board acted decisively to secure appropriate liquidity for the business to endure a prolonged period of closure should that be mandated. £15m of new shares were placed with institutional shareholders and approximately a further £7m was raised from existing shareholders in an open offer. This has enabled the business to reduce its bank borrowings by two thirds and as a result has significantly strengthened the Group's balance sheet.

The Board would like to put on record its appreciation for the support it achieved from new and existing shareholders who have helped secure the Company's long term future, as well as the advice received from its Nomad, Brokers and Professional Advisors.

The Board has committed to run the business on a very tight rein and the following actions have been taken to minimise running costs during closure, whilst maintaining the Company's essential needs:

- Pub and head office costs have been reduced to the minimum
- 98% of staff have been furloughed on the Government's Job Retention Scheme
- Directors' pay has been cut by 50% until pubs reopen and there have been other head office salary sacrifices in addition to this
- Retail, Hospitality and Leisure Grants have been applied for where applicable
- Negotiated, where possible, early settlement discounts from suppliers, but at the same time ensured that smaller suppliers are paid in full
- Entered into negotiations with landlords with regards to rent holidays, rent deferrals and changes in terms of the lease. In some cases, where the Group can do so, leases will be reverted to the landlords
- Pursuing claims under our insurance policies where the Company benefits from a loss of trade clause in the event of an outbreak of a notifiable disease

* 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.

COVID-19 has created immense challenges to our sector but as a result of the Board's quick actions to strengthen the balance sheet through the share placing and decisive actions on cutting costs, the Board believes the Group has significantly mitigated the devastating effect that COVID-19 has had on the pub sector and that it has sufficient financial liquidity to see the Company through to well into 2021.

Bank facilities

In July 2019, the board entered into a new 5-year banking arrangement with its existing providers, Barclays Bank plc. The Board now has a £35m revolving credit facility with a £15m accordion option. The proceeds from the share placing have been utilised to reduce our bank borrowings by two thirds.

Simultaneously with the share placing, Barclays agreed to waive covenant testing until Q4 2020. Barclays remain very supportive of the Group and the Board would like to put on record their thanks for their quick decision-making process.

Barclays have now agreed to replace the Group's existing financial covenants under its RCF with a Minimum Liquidity Test, requiring cash or facility headroom in the sum of £8m, to be tested quarterly until and including 30 June 2021, after which date the financial covenant tests as currently documented will recommence.

The Board has not opted to revalue its property and fixed assets and the book value of the portfolio on a normalised trading basis is £150m. Current net debt stands at £13m and, with freeholds making up around 90% of the book value, the Company has a very strong asset-backed balance sheet.

Organisation

COVID-19 has given the Board time to evaluate how the Group can run its operations more effectively. Traditionally, the Group has run its pubs as independent units where a lot of the local decision making was taken at site level. With the changes in technology, especially in relation to digital marketing and online bookings, now is the time to change how the Group manages its day-to-day retail operations.

The Board is currently in the process of introducing a central sales and marketing function. Online sales and telephone sales will now be run centrally at head office and marketing of key events such as Valentine's Day, Six Nations rugby, Easter, Christmas and other events will be done centrally. Pubs will still be able to market local events themselves to maintain individuality and focus.

By adopting a central sales and marketing approach, the Group will be able to use its database more effectively and over the next 3 months, and will also improve the functionality of its City Club app. The Group will work closely with key brands, existing and new, to continue its premium offering.

There will be little additional cost, as much of this functionality sales and marketing has previously been done regionally.

This will free up time for the retail operations, enabling them to focus more on execution of the offer with a more streamlined, but premiumised, offer. The Group also expects to see savings elsewhere in systems, finance, unit employee costs and other regional costs.

It is the Board's belief that there is unutilised capacity within its current estate which can be utilised more effectively when we return to normal trading conditions.

Other measures which are being implemented include zero-budget policies, streamlining the Company's supply chain, and renegotiating construction costs, particularly on the equipment side.

COVID-19 has given the Group a one-off opportunity to re-set the way the business is run. Pubs will continue to be operated on an individual basis but with the support of a more robust central system. This will enable the Group to raise the bar for its retailing standards across the estate.

Dividends

The Board believes that future acquisitions should be funded out of the free cash flows generated by the Group's operations and not through increased debt. Therefore, the Board does not recommend a dividend for this year and is unlikely to resume dividend payments until trading is back to optimum levels.

AGM

The AGM this year will be a virtual meeting due to COVID-19 and will be held at 12pm on Monday 27 July 2020.

Outlook

COVID-19 has caused significant disruption to our growth plans and may change the dynamics of the sector going forward. The length of time we have had to be closed has caused challenge not only financially, but also for our people. We are grateful for the Government support, particularly most recently the extension to CJRS through to October. We are encouraged by the Government's recent statement that the first tentative steps, outside only and with social distancing, may come into effect from 4 July. However, it could be a while until there is full recovery and we have already prepared for the possibility of a second wave.

Given the continued uncertainty around timing of a full re-opening and customer behaviour, the Group is not in a position to provide financial guidance at this stage. We will continue to be agile and adapt as necessary, but with challenge comes opportunity and it is the Board's primary resolution to ensure that when trading does commence, the Group's pub estate will be match-fit for purpose and our people will return full of vigour and enthusiasm.

We will reopen with a more efficient, streamlined operation, reduced capital expenditure and our focus being on increasing utilisation of the current estate. The Group benefits from having a strong, asset backed balance sheet, low fixed costs as a percentage of historic sales and liquidity that will allow us to endure. Improvement in the effectiveness of our sales and marketing team together with our strategy to further premiumise our pubs will strengthen our position in the sector.

I would like to thank the Group's staff, Directors, suppliers, advisers, bankers and our shareholders for all their support since lockdown. In the last 30 years, I have faced several major sector challenges but nothing like COVID-19. However, I do believe that there is light at the end of the tunnel, and I am confident that the City Pub Group is well financed, well run and will take its opportunities to emerge as a force within our sector.

Clive Watson
Chairman, The City Pub Group plc,
11 June 2020

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

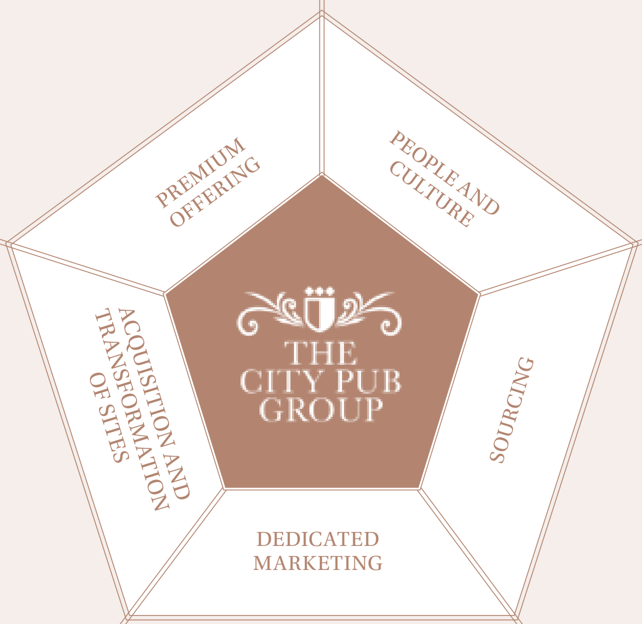
Micro breweries in selected sites add differentiation and choice variety

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

Development of innovative "City Club" app 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 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. At this point in time the valuation represented a 9% uplift on net book value. 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.

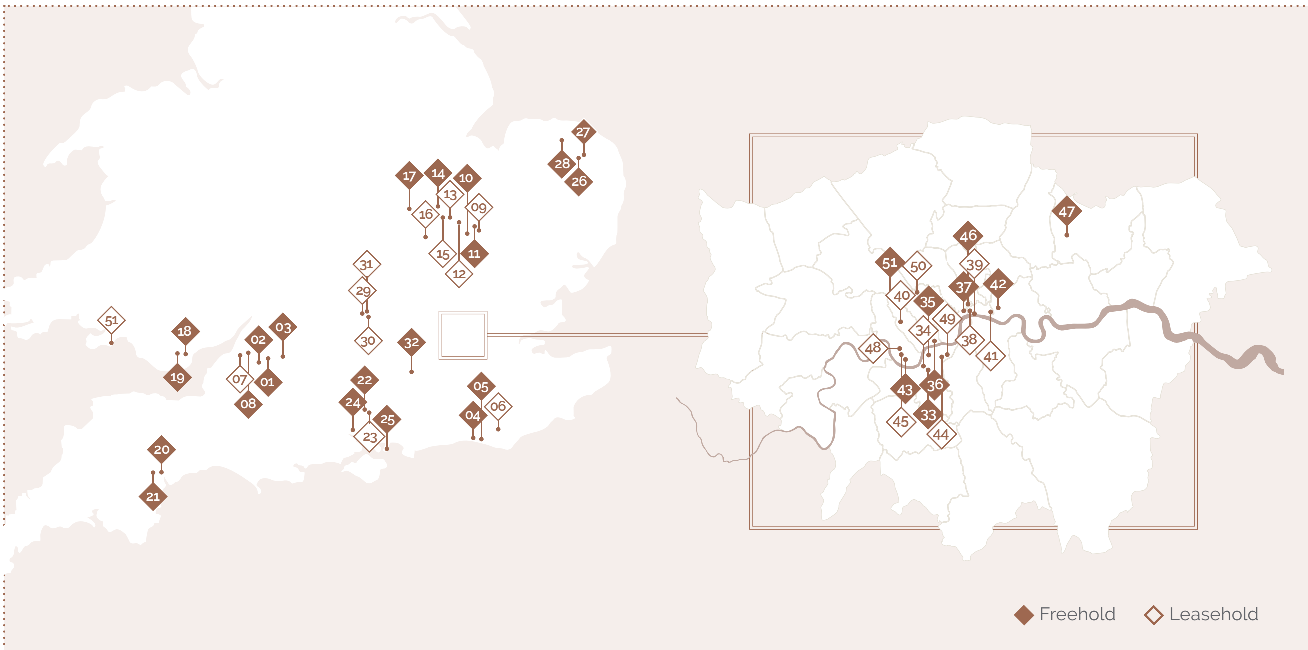
Management strength and track record provides confidence in the deliverability of a premium hyper-local strategy of refurbishing and repositioning wet-led pubs across UK cathedral cities.

Aragon House, Parsons Green
Opened June 2019

Pub Estate

The Group has a portfolio of 52 sites in southern England and Wales as shown on the map below. This consists of 48 trading sites, 3 development sites and contracts agreed on 1 further site at May 2020.

30 of the pubs in the portfolio are freehold (58%) and 22* are leasehold (42%)



Bath
- 01 The Cork
- 02 The Bath Brew House
- 03 The Nest

Brighton
- 04
- 05 The Walrus
- 06 Brighton BeachClub

Bristol
- 07 The Prince Street Social
- 08 King Street Brew House

Wales
- 18 The Pontcanna Inn
- 19 Chapel
- 51 Mumbles

Cambridge
- 09 The Mill
- 10 Old Bicycle Shop
- 11
- 12
- 13 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
- 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 Lost Hours / Yard
- 50 Pride Paddington
- 52 The Island

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

Our strategy

At present, the Group has 48 trading pubs and it intends to continue to acquire new sites once we are through the Coronavirus pandemic. The Group 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.

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 develops a pipeline of potential acquisitions out of the large number of opportunities presented. 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 29 December 2019 and the Group intends to keep it around this level.

The Group also reviews the existing portfolio to see if any sites should be considered for disposal.

"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 Operations Manager in some cases. Each pub has a General Manager and most have a Head Chef on-site. The average full time equivalent (FTE) staff per pub ranges from 15-25 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	Chef Academy
Devising a Balanced Menu & Managing Kitchen Profits	First Aid	
Grievance and Disciplinary Workshop	FLOW Online Learning	
Mental Health & Wellbeing for Management		
Train the Trainer		

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

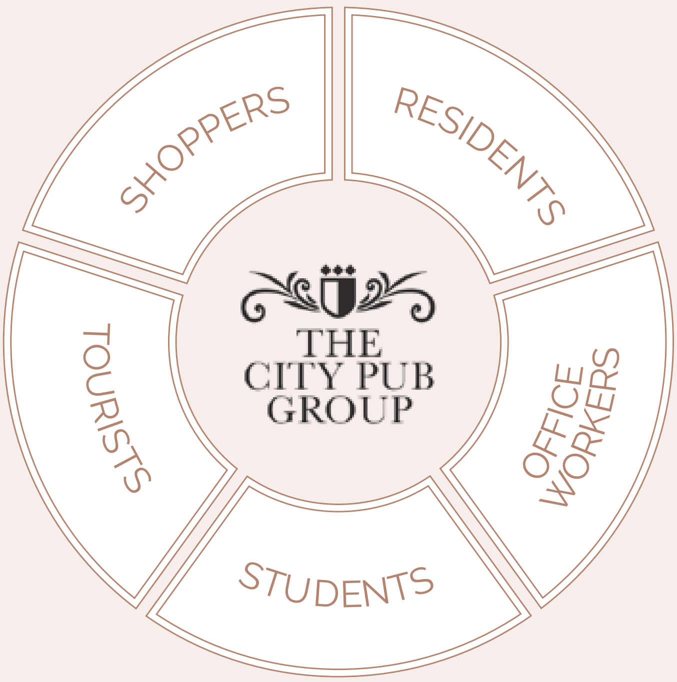
Our customers

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 Group has five key target markets:



Our suppliers

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

The Group 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.

"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"

Directors' duties – S172 Companies Act 2006

Directors' duties to promote the long-term success of the company

The directors behave and carry out their activities to promote long-term success for the benefit of the company's shareholders, employees, clients and stakeholders. They focus on the company passing on a stronger, better and more sustainable business to those who follow while maintaining intergenerational fairness.

They engage with shareholders, employees, clients and stakeholders to reflect their insights and views when making decisions on strategy; delivering operational effectiveness; making plans; driving initiatives; and committing to deliver outcomes that enhance social value.

The culture and values promoted by the directors creates a focus across the Group on observing and maintaining the highest standards of business conduct in promoting the long-term success of the company.

The narratives in the corporate governance report and directors' report highlight how the directors have observed these principles and engaged with shareholders, employees, clients and stakeholders in decision-making and in promoting the long-term success of the company.

Further explanation of these duties can be found in the Directors report.

Business review

Financial performance

	2019				2018			
	Revenue £m	Operating profit £m	EBITDA £m	Profit before tax £m	Revenue £m	Operating profit £m	EBITDA £m	Profit before tax £m
Reported	60.0	2.5	5.9	2.2	45.7	2.8	5.4	2.6
Share option charge	–	0.3	0.3	0.3	–	0.4	0.4	0.4
Exceptional items	–	2.9	2.9	2.9	–	2.1	2.1	2.1
Rounding	–	–	–	(0.1)	–	–	–	–
Adjusted	60.0	5.7	9.1	5.3	45.7	5.3	7.9	5.1

Financial position and performance

The results reported with the financial statements are for the 52 weeks ended 29 December 2019, compared with the 52 weeks ended 30 December 2018. 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 (88% by value). The bank debt at year end was £32.5m with the ratio of net debt to adjusted EBITDA of 3.4 times (2018: 1.1 times).

We have grown our revenue by 31% on the prior year with the majority of the growth coming from the four 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 7% to £5.7 million (2018: £5.3 million).

Adjusted EBITDA increased by 15% to £9.1 million (2018: £7.9 million) reflecting the performance of the larger estate. There was an increase in depreciation of 33% on the prior period.

Finance costs

Net finance costs before separately disclosed exceptional items were some £0.1 million higher than prior year at £0.3 million.

Cash flow and net debt

The Group generated cash from operating activities of £6.4 million (2018: £6.4 million). In line with our acquisition strategy, we invested £25.4 million on the acquisition of four sites and finishing the development of two other major sites that opened during the year. The new sites were – The Pride of Paddington in London, The Hoste in Burnham Market, The Turks Head in Exeter (in development) and The Nest in Bath (in development). During the year we also completed the developments and opened The Market House in Reading and Aragon House in Parsons Green, London. We also acquired The Island, Kensal Green during the year, which is leased out to another operator, who runs this site as a tenanted pub.

Sources of finance

The Group agreed new banking facilities during the year and has long term facilities of £35 million available, plus an accordion option of an additional £15 million until July 2022 with the option to extend the facilities for up to two more years, so to July 2024. The Group had drawn down £32.5 million of these facilities at the year end. Our undrawn committed facilities at 29 December 2019 were £2.5 million with a further £1.5 million of cash held on the statement of financial position at year end.

Separately disclosed items

Separately disclosed exceptional items before tax of £2.9 million comprised £1.9 million impairment provision for a number of sites, £0.8 million of pre-opening costs expensed and £0.3 million of other non-recurring costs. Before separately disclosed exceptional items and share option charge, adjusted profit before tax was therefore £5.3 million (2018: £5.1 million). Tax has been provided for at a rate of 19.0% (2018: 19.0%) on adjusted profits. A full analysis of the tax charge for the year is set out in note 7.

IFRS 16 Accounting for Leases

The Group intends to adopt IFRS 16 Accounting for Leases for the year ending December 2020. As a result, operating lease expense will be replaced by depreciation and a finance charge. The net impact to adjusted profit is expected to be between £0.1 million and £0.5 million reduction to profit, as the increase to depreciation and finance costs is slightly larger than the reduction to lease operating costs. Both assets and liabilities are expected to increase by between £18.5 million and £22.5 million, with no net impact and no impact on cashflows.

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.

Business review cont'd

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.

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 July 2019, the Group agreed a new £35m revolving credit facility with Barclays Bank plc and an accordion option of another £15m all on improved terms. This is initially a 3-year deal, but with the options to extend for two additional years, so potentially taking the facility out to July 2024.

The impact of COVID-19 has had a devastating impact on the pub sector, with the enforced closure of all pubs on 20 March 2020.

The Board acted decisively to secure the appropriate liquidity for the business to endure a prolonged period of closure should that be mandated. £15m of new shares were placed with Institutional Shareholders and a further £7m was raised from existing shareholders in an open offer with total funds raised of £22m pre expenses, which was received in April 2020. This has enabled the business to reduce its net debt by two thirds and as a result has significantly strengthened the Group's balance sheet.

Simultaneously with the share placing Barclays agreed to waive covenant testing until Q4 2020. Barclays remain very supportive of the Group.

Barclays have now agreed to replace The City Pub Group plc's RCF's existing financial covenants with a Minimum Liquidity Test in the sum of £8m to be tested quarterly until and including 30 June 2021, after which date the financial covenant tests as currently documented will recommence. During the fundraising process, the Board assured shareholders that it would run the business on a very tight rein and would take actions to minimise running costs during closure whilst maintaining the company's essential needs.

We have reduced Pub and head office costs to the minimum. Some 99% of staff have been furloughed on the governments Job Retention Scheme. The Directors' pay has been cut by 50% until pubs reopen and other head office salaries have been reduced. We have applied for Grants where applicable. At the current time, we have not looked to access funds via the Government's Coronavirus Large Business Interruption Loan Scheme (CLBILS), but this is an option that remains available. The Group have negotiated settlement discounts from some larger suppliers, but at the same time ensured that smaller suppliers are paid in full. We are in negotiations with landlords with regards to rent holidays, rent deferrals and changes in terms of some leases. The Group is pursuing claims under our insurance policies where the Company benefits from a loss of trade clause in the event of an outbreak of a notifiable disease.

COVID-19 has created immense challenges to our sector but as a result of the Board's quick actions to strengthen the balance sheet through share placing and decisive actions on cutting costs – variable or fixed –, the Board believes the Group has significantly mitigated the devastating effect that COVID-19 has had on the pub sector and that it has sufficient financial liquidity to see the Company through to well into 2021.

We have performed a number of scenarios to consider the potential impact of COVID-19 on the Group's results. In preparing our forecasts, we have assumed that the pubs would be fully closed for a period of over 4 months and that some pubs would be able to reopen from 1 August. We have not assumed that there will be additional closures due to a second wave of the Coronavirus. We anticipate that it may take considerable time before trade is back to the pre-COVID-19 levels.

Based on the current financial projections to 30 June 2021 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.

On behalf of the Board

Tarquin Williams
Chief Financial Officer
11 June 2020

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 impacts 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 Coronavirus.	The impact of the Coronavirus (COVID-19) has been to close all of our pubs from 20 March 2020.	• We are looking at ways of reopening the pubs using social distancing to keep staff and customers safe. • We have purchased stocks of PPE and sanitisers to ensure that when we reopen we can following the Government guidelines and keep of staff and customers safe. • We will monitor whether a second wave of the virus could impact our sites and this will be factored into any continuity planning.	▼
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 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 Group has a culture which ensures that management are encouraged to take business decisions for the long-term benefit of the Group. • 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 agreed a new £35m revolving credit facility (RCF) with Barclays and an accordion option of £15m, which is in place until July 2022, but can be extended for an additional two years. • We raised additional equity of £22m before costs from a placing and open offer in March 2020 to strengthen the balance sheet.	◆
Covenant Risks We expect to be able to meet our banking covenants under a range of cautious liquidity scenarios. The Coronavirus has resulted in the closure of all our pubs, which effects our ability to meet the banking covenants.	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. • Barclays have agreed to waive the covenant tests until the end of December 2020. • Barclays have agreed to replace the existing financial covenants with a Minimum Liquidity Test in the sum of £8m to be tested quarterly until and including 30 June 2021, after which date the financial covenant tests as currently documented will recommence.	◆

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.	• External company is employed as our lead assessor and energy auditor. • Advisor appointed to help with collecting of data and the reporting of our obligations.	◆

On behalf of the Board

Tarquin Williams
Chief Financial Officer
11 June 2020

Board of Directors

Executive Directors

Clive Watson ACA (58)
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 (48)
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 (44)
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 (50)
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 (62)
Non-Executive Director

John has been involved in the food and beverage industries for over forty years, with more than twenty five 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 FCA (68)
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 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 (58)
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 (72)
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 29 December 2019

The Directors recognise the importance of sound corporate governance and they comply with the Quoted Companies Alliance Corporate Governance Code / 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 22 and 23.

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.

Options granted under the CSOP Share Option Scheme will become exercisable following the third anniversary of their date of grant. The Company may also grant further options under the CSOP Share Option Scheme.

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 3,475,000 Ordinary Shares representing 5.8 per cent of the Enlarged Share Capital. Taking this into account, an additional 2,473,129 Ordinary Shares remain available for reward under the JSOP and the CSOP at the year end.

Senior bonus scheme

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

Directors' emoluments

Directors' emoluments for the period were as follows:

Single total figure of remuneration table

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

	Salary/Fees		Annual Bonus		Taxable Benefits		Pension/Other		JSOP/EMI		Total	
	2019 £000	2018 £000	**2019 £000**	2018 £000	**2019 £000**	2018 £000	**2019 £000**	2018 £000	**2019 £000**	2018 £000	**2019 £000**	2018 £000
Clive Watson	**145**	130	**–**	–	**21**	4	**7**	4	**–**	40	**173**	178
Alex Derrick	**145**	130	**–**	–	**13**	6	**7**	4	**–**	40	**165**	180
Rupert Clark	**145**	130	**–**	–	**9**	9	**7**	4	**–**	40	**161**	184
Tarquin Williams	**130**	115	**–**	–	**2**	2	**6**	4	**–**	40	**138**	160
Richard Prickett	**47**	40	**–**	–	**–**	–	**–**	–	**–**	–	**47**	40
John Roberts	**33**	30	**–**	–	**–**	–	**50**	41	**–**	–	**83**	71
Neil Griffiths	**42**	29	**–**	–	**–**	–	**–**	–	**–**	–	**42**	29
Total	**687**	604	**–**	–	**45**	21	**77**	57	**–**	160	**809**	842

Corporate Governance report cont'd

for the 52 week period ended 30 December 2019

Directors interests

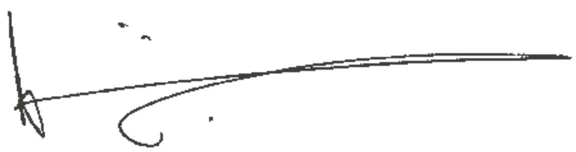
As at 29 December 2019 the Directors of the Company held the following number of shares:

The Directors share interest represents 7.2% of the ordinary shares in circulation.

	2019	2018
Directors Share Interests		
Rupert Clark		
Ordinary 50p shares	**568,039**	560,986
Alex Derrick		
Ordinary 50p shares	**431,786**	431,786
Neil Griffiths		
Ordinary 50p shares	**10,000**	10,000
Richard Prickett		
Ordinary 50p shares	**59,562**	58,823
John Roberts		
Ordinary 50p shares	**347,648**	343,331
Clive Watson		
Ordinary 50p shares	**2,707,345**	2,638,714
Tarquin Williams		
Ordinary 50p shares	**291,412**	291,412

Director's Share Options

Director	Scheme	As at 30 December 2018	Exercised	Lapsed	Granted	As at 29 December 2019	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		430,000	–	–	–	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		430,000	–	–	–	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		445,000	–	–	–	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		460,000	–	–	–	460,000				
TOTAL		1,765,000	–	–	–	1,765,000				



Richard Prickett
Independent Non-executive Director,
11 June 2020

Directors' report

for the 52 week period ended 29 December 2019

The Directors present their Report and the consolidated financial statements of the Group for the 52 week period ended 29 December 2019.

Results and dividends

The statement of comprehensive income is set out on page 34 and shows the profit for the period. The Directors do not recommend the payment of a dividend this year due to the Coronavirus pandemic.

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
John Roberts
Richard Prickett
Neil Griffiths

Going concern

In July 2019, the Group agreed a new £35m revolving credit facility with Barclays bank plc and an accordion option of another £15m all on improved terms. This is initially a 3-year deal, but with the options to extend for two additional years, so potentially taking the facility out to July 2024.

The impact of COVID-19 has had a devastating impact on the pub sector, with the enforced closure of all pubs on 20 March 2020.

The Board acted decisively to secure the appropriate liquidity for the business to endure a prolonged period of closure should that be mandated. £15m of new shares were placed with Institutional Shareholders and a further £7m was raised from existing shareholders in an open offer with total funds raised of £22m pre expenses, which was received in April 2020. This has enabled the business to reduce its net debt by two thirds and as a result has significantly strengthened the Group's balance sheet.

Simultaneously with the share placing Barclays agreed to waive covenant testing until Q4 2020. Barclays remain very supportive of the Group.

Barclays have now agreed to replace The City Pub Group plc's RCF's existing financial covenants with a Minimum Liquidity Test in the sum of £8m to be tested quarterly until and including 30 June 2021, after which date the financial covenant tests as currently documented will recommence.

During the fundraising process, the Board assured shareholders that it would run the business on a very tight rein and would take actions to minimise running costs during closure whilst maintaining the company's essential needs.

We have reduced Pub and head office costs to the minimum. Some 99% of staff have been furloughed on the governments Job Retention Scheme. The Directors' pay has been cut by 50% until pubs reopen and other head office salaries have been reduced. We have applied for Grants where applicable. At the current time, we have not looked to access funds via the Government's Coronavirus Large Business Interruption Loan Scheme (CLBILS), but this is an option that remains available. The Group have negotiated settlement discounts from some larger suppliers, but at the same time ensured that smaller suppliers are paid in full. We are in negotiations with landlords with regards to rent holidays, rent deferrals and changes in terms of some leases. The Group is pursuing claims under our insurance policies where the Company benefits from a loss of trade clause in the event of an outbreak of a notifiable disease.

COVID-19 has created immense challenges to our sector but as a result of the Board's quick actions to strengthen the balance sheet through share placing and decisive actions on cutting costs – variable or fixed –, the Board believes the Group has significantly mitigated the devastating effect that COVID-19 has had on the pub sector and that it has sufficient financial liquidity to see the Company through to well into 2021.

We have performed a number of scenarios to consider the potential impact of COVID-19 on the Group's results. In preparing our forecasts, we have assumed that the pubs would be fully closed for a period of over 4 months and that some pubs would be able to reopen from 1 August. We have not assumed that there will be additional closures due to a second wave of the Coronavirus. We anticipate that it may take considerable time before trade is back to the pre-COVID-19 levels.

Based on the current financial projections to 30 June 2021 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.

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 £32.5 million 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 29 December 2019 the Group had £32.5 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.

S172 Statement
The Directors behave and carry out their activities to promote the long-term success of the Group. More detail is shown in the Strategic Report.

Political donations
The Group made no political donations during the period.

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

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

On behalf of the Board

Tarquin Williams
Chief Financial Officer
11 June 2020

Independent Auditor's report

for the 52 week period ended 29 December 2019

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 29 December 2019 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated and company statements 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 their preparation 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 29 December 2019 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as COVID-19 and the United Kingdom's withdrawal from the European Union (Brexit). All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

COVID-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a group associated with these particular events.

Conclusions relating to going concern

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

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

In our evaluation of the directors' conclusions, we considered the risks associated with the group's business, including effects arising from macro-economic uncertainties such as COVID-19 and Brexit, and analysed how those risks might affect the group's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group will continue in operation.

Overview of our audit approach

- Overall materiality: £432,000, which represents 0.72% of the group's total revenue;
- Key audit matters were identified as the impairment of property plant and equipment and goodwill, and going concern; and
- We performed full scope audit procedures on the financial information of all significant components

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. 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 and parent company	How the matter was addressed in the audit
Impairment of property, plant and equipment and goodwill As explained in notes 2.16, 11 and 12 to the financial statements, 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 and to annually test goodwill for impairment. The process for measuring and recognising impairment under International Accounting Standard (IAS) 36 'Impairment of Assets' is complex and highly judgemental. We therefore identified the assessment of impairment of property, plant and equipment and goodwill 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 group's accounting policy and disclosures made for compliance with IFRS, 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 amounts); • Assessing the appropriateness of key assumptions (such as discount rate and growth rates) by benchmarking to comparable market rates; • Testing the accuracy of management's forecasting through a comparison of historic budgeted amounts to subsequent actual figures; • Challenging and sensitising management's impairment model by using industry data (sector discount rates and growth rates) and other publicly available information to assess the reasonableness of management's assessment of the recoverable amount for its sites; • Assessing the appropriateness and completeness of impairments made through sensitivity analysis; and • Assessing the recoverable amount for the portfolio of sites and goodwill against the market capitalisation of the group as an overall sense check of carrying values recorded in the financial statements. The group's accounting policy on the impairment of property, plant and equipment and goodwill 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 did not result in material misstatement of the impairment of property, plant and equipment and goodwill.
Going concern As stated in 'the impact of macro-economic uncertainties on our audit' section of our report, COVID-19 is one of the most significant economic events currently faced by the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty. This event could adversely impact the future trading performance of the Group and as such increases the extent of judgement and estimation uncertainty associated with management's decision to adopt the going concern basis of accounting in the preparation of the financial statements. As such we identified going concern as a significant risk, which was one of the most significant assessed risks of material misstatement.	We undertook procedures to evaluate management's assessment of the impact of COVID-19 on the group's working capital. This included, but was not restricted to: • Obtaining management's original forecasts covering the period to 27 June 2021. We assessed how these forecasts were compiled, including assessing their accuracy by validating the reasonableness of underlying assumptions; • Agreeing cash received in respect of the post balance sheet fund raising to bank statements; • Assessing the reliability of management's forecasting by comparing the accuracy of actual financial performance to the forecast information; • Obtaining management's revised forecasts prepared to assess the potential impact of COVID-19. We evaluated the assumptions applied, including the reduction in revenue, during the estimated period of COVID-19, for reasonableness and determined whether they had been applied accurately. We also considered whether the assumptions are consistent with our understanding of the business; • Assessing management's cash and net debt position and corroboration of mitigating actions taken by management to relevant documentation and evaluation of their application in the revised forecasts for accuracy; • Performing sensitivity analysis on management's revised forecasts to determine the reduction in revenue and earnings that would lead to elimination of the headroom in their cash flow forecasts; and • Assessing the adequacy of the going concern disclosures included within the financial statements. **Key observations** Based on the procedures performed, we have identified no issues regarding management's assessment of the impact of COVID-19 on the group's working capital. We have nothing to report in addition to that stated in the 'Conclusions relating to going concern' section of our report.

Independent Auditor's report cont'd

for the 52 week period ended 29 December 2019

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	£432,000, which is 0.72% of group total revenue. This benchmark is considered the most appropriate because revenue is a key area of interest to the users of the financial statements whilst the group continues to grow. Materiality for the current year is lower than the level that we determined for the period ended 30 December 2018 to reflect a change of benchmark for our materiality determination.	£388,700 using 90% of group materiality as a benchmark. This amount is approximately 0.5% of parent company net assets. This financial statement line item is the most relevant for the parent company as the activity and net assets of the Group are concentrated in the parent company. Materiality for the current year is lower than the level that we determined for the period ended 30 December 2018 to reflect the corresponding reduction in group materiality.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality	75% 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.	We also determine a lower level of specific materiality for certain areas such as Directors' remuneration and related party transactions.
Communication of misstatements to the audit committee	£21,593 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£19,434 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

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

- 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 test the operating effectiveness of the Group's internal controls in order to reduce substantive testing, particularly in relation to revenue;
- 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; and
- as all operations of the trading subsidiaries are undertaken through the parent company we undertook substantive testing using sampling on a population comprising 100% of the Group's revenues, profit before tax and net assets.

Other information

The directors are responsible for the other information. The other information comprises the information included in the 'annual report & accounts 2019', other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

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

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 29, 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

Sergio Cardoso
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
12 June 2020

Consolidated statement of comprehensive income

for the 52 week period ended 29 December 2019

	Notes	2019 £'000	2018 £'000
Revenue	4	**60,028**	45,674
Cost of sales		**(15,165)**	(11,621)
Gross profit		**44,863**	34,053
Administrative expenses		**(42,339)**	(31,244)
Operating profit		**2,524**	2,809
Reconciliation to adjusted EBITDA*			
Operating profit		**2,524**	2,809
Depreciation	5	**3,407**	2,552
Share option charge	25	**274**	377
Exceptional items	8	**2,861**	2,121
*** Adjusted earnings before exceptional items, share option charge, interest, taxation and depreciation**		**9,066**	7,859
Finance costs	6	**(321)**	(190)
Profit before tax		**2,203**	2,619
Tax expense	7	**(891)**	(654)
Profit for the period and total comprehensive income		**1,312**	1,965
Earnings per share			
Basic earnings per share (p)	10	**2.20**	3.44
Diluted earnings per share (p)	10	**2.19**	3.41

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 29 December 2019

	Notes	2019 £'000	2018 £'000
Assets			
Non-current			
Intangible assets	11	**4,136**	3,794
Property, plant and equipment	12	**110,914**	90,020
Total non-current assets		**115,050**	93,814
Current			
Inventories	14	**1,220**	960
Trade and other receivables	15	**3,406**	2,542
Cash and cash equivalents		**2,769**	2,853
Total current assets		**7,395**	6,355
Total assets		**122,445**	100,169
Liabilities			
Current liabilities			
Trade and other payables	16	**(9,027)**	(8,494)
Borrowings	18	**–**	–
Total current liabilities		**(9,027)**	(8,494)
Non-current			
Borrowings	18	**(32,310)**	(11,600)
Other payables	17	**(50)**	–
Deferred tax liabilities	21	**(2,123)**	(1,537)
Total non-current liabilities		**(34,483)**	(13,137)
Total liabilities		**(43,510)**	(21,631)
Net assets		**78,935**	78,538
Equity			
Share capital	22	**30,812**	30,651
Share premium	22	**38,570**	38,287
Own shares (JSOP)	22	**(3,272)**	(3,272)
Other reserve	22	**92**	92
Share-based payment reserve	22	**977**	703
Retained earnings	22	**11,756**	12,077
Total equity		**78,935**	78,538

The notes form part of these accounts.

Approved by the Board and authorised for issue on 11 June 2020.

Clive Watson
Chairman

Tarquin Williams
Chief Financial Officer

Company No. 07814568

Company statement of financial position

as at 29 December 2019

	Notes	2019 £'000	2018 £'000
Assets			
Non-current			
Intangible assets	11	**4,136**	1,961
Property, plant and equipment	12	**110,914**	46,388
Investments in subsidiaries	13	**12,730**	12,063
Total non-current assets		**127,780**	60,412
Current			
Inventories	14	**1,220**	479
Trade and other receivables	15	**3,406**	19,859
Cash and cash equivalents		**2,769**	2,246
Total current assets		**7,395**	22,584
Total assets		**135,175**	82,996
Liabilities			
Current liabilities			
Trade and other payables	16	**(24,542)**	(5,085)
Borrowings	18	**–**	–
Total current liabilities		**(24,542)**	(5,085)
Non-current			
Borrowings	18	**(32,310)**	(7,100)
Other payables	17	**(50)**	–
Deferred tax liabilities	21	**(2,123)**	(667)
Total non-current liabilities		**(34,483)**	(7,767)
Total liabilities		**(59,025)**	(12,852)
Net assets		**76,150**	70,144
Equity			
Share capital	22	**30,812**	30,651
Share premium	22	**38,570**	38,287
Own shares (JSOP)	22	**(3,272)**	(3,272)
Share-based payment reserve	22	**977**	575
Retained earnings	22	**9,063**	3,903
Total equity		**76,150**	70,144

The profit for the financial period of the Parent Company, The City Pub Group plc was £6,921,000 (2018: £447,000).

The notes form part of these accounts.

Approved by the Board and authorised for issue on 11 June 2020.

Clive Watson
Chairman

Tarquin Williams
Chief Financial Officer

Company No. 07814568

Consolidated statement of changes in equity

for the 52 week period ended 29 December 2019

	Notes	Share capital	Share premium	Own shares (JSOP)	Other reserve	Share-based payment reserve	Retained earnings	Total
Balance at 31 December 2017		28,234	31,276	–	92	326	11,382	71,310
Employee share-based compensation	25	–	–	–	–	377	–	377
Issue of new shares	22	1,455	4,701	–	–	–	–	6,156
Purchase of JSOP shares	22	962	2,310	(3,272)	–	–	–	–
Dividends	9	–	–	–	–	–	(1,270)	(1,270)
Transactions with owners		2,417	7,011	(3,272)	–	377	(1,270)	5,263
Profit for the period		–	–	–	–	–	1,965	1,965
Total comprehensive income for the period		–	–	–	–	–	1,965	1,965
Balance at 30 December 2018		30,651	38,287	(3,272)	92	703	12,077	78,538
Employee share-based compensation	25	–	–	–	–	274	–	274
Issue of new shares	22	161	283	–	–	–	–	444
Dividends	9	–	–	–	–	–	(1,633)	(1,633)
Transactions with owners		161	283	–	–	274	(1,633)	(915)
Profit for the period		–	–	–	–	–	1,312	1,312
Total comprehensive income for the period		**–**	**–**	**–**	**–**	**–**	**1,312**	**1,312**
Balance at 29 December 2019		**30,812**	**38,570**	**(3,272)**	**92**	**977**	**11,756**	**78,935**

The notes form part of these accounts.

Company statement of changes in equity

for the 52 week period ended 29 December 2019

	Notes	Share capital	Share premium	Own shares (JSOP)	Share-based payment reserve	Retained earnings	Total
Balance at 31 December 2017		28,234	31,276	–	198	4,726	64,434
Employee share-based compensation	25	–	–	–	377	–	377
Issue of new shares	22	1,455	4,701	–	–	–	6,156
Purchase of JSOP shares	22	962	2,310	(3,272)	–	–	–
Dividends	9	–	–	–	–	(1,270)	(1,270)
Transactions with owners		2,417	7,011	(3,272)	377	(1,270)	5,263
Profit for the period		–	–	–	–	447	447
Total comprehensive income for the period		–	–	–	–	447	447
Balance at 30 December 2018		30,651	38,287	(3,272)	575	3,903	70,144
Employee share-based compensation	25	–	–	–	274	–	274
Issue of new shares	22	161	283	–	–	–	444
Transfer of share-based payment reserve on hive-up	22	–	–	–	128	(128)	–
Dividends	9	–	–	–	–	(1,633)	(1,633)
Transactions with owners		161	283	–	402	(1,761)	(915)
Profit for the period		–	–	–	–	6,921	6,921
Total comprehensive income for the period		**–**	**–**	**–**	**–**	**6,921**	**6,921**
Balance at 29 December 2019		**30,812**	**38,570**	**(3,272)**	**977**	**9,063**	**76,150**

The notes form part of these accounts.

Consolidated statement of cash flows

for the 52 week period ended 29 December 2019

	Notes	2019 £'000	2018 £'000
Cash flows from operating activities			
Profit for the period		**1,312**	1,965
Taxation	7	**891**	654
Finance costs	6	**321**	190
Operating profit		**2,524**	2,809
Adjustments for:			
Depreciation	5	**3,407**	2,552
Gain on disposal of property, plant & equipment		**(1)**	–
Share-based payment charge	25	**274**	377
Impairment	12	**1,914**	480
Change in inventories		**(260)**	(405)
Change in trade and other receivables		**(778)**	(992)
Change in trade and other payables		**(43)**	2,152
Cash generated from operations		**7,037**	6,973
Tax paid		**(601)**	(535)
Net cash from operating activities		**6,436**	6,438
Cash flows from investing activities			
Purchase of property, plant and equipment	12	**(14,949)**	(11,430)
Acquisition of new property sites	26	**(10,532)**	(14,361)
Proceeds from disposal of property, plant and equipment		**50**	–
Net cash used in investing activities		**(25,431)**	(25,791)
Cash flows from financing activities			
Proceeds from issue of share capital	22	**218**	5,973
Repayment of borrowings		**–**	(245)
Dividends paid	9	**(1,406)**	(1,087)
Proceeds from new borrowings	18	**20,695**	11,600
Interest paid	6	**(596)**	(449)
Net cash from financing activities		**18,911**	15,792
Net change in cash and cash equivalents		**(84)**	(3,561)
Cash and cash equivalents at the start of the period		**2,853**	6,414
Cash and cash equivalents at the end of the period		**2,769**	2,853

The notes form part of these accounts.

Company statement of cash flows

for the 52 week period ended 29 December 2019

	Notes	2019 £'000	2018 £'000
Cash flows from operating activities			
Profit for the period		6,921	447
Taxation		669	161
Finance costs		231	95
Operating profit		7,821	703
Adjustments for:			
Depreciation	12	2,664	1,508
Gain on disposal of property, plant and equipment		(1)	–
Share-based payment charge		274	377
Impairment		1,914	480
Change in inventories		(339)	(191)
Change in trade and other receivables		(2,714)	(8,297)
Change in trade and other payables		(948)	1,662
Cash generated from/(used in) operations		8,671	(3,758)
Tax paid		(280)	(235)
Net cash generated from/(used) in operating activities		8,391	(3,993)
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(7,415)	(4,751)
Acquisition of new property sites	26	(10,532)	(5,186)
Proceeds from disposal of property, plant and equipment		50	–
Net cash hived up from other Group undertakings		1,473	–
Net cash used in investing activities		(16,424)	(9,937)
Cash flows from financing activities			
Proceeds from issue of share capital		218	5,972
Repayment of borrowings		–	(122)
Dividends paid		(1,406)	(1,087)
Proceeds from new borrowings		10,195	7,100
Interest paid		(451)	(224)
Net cash from financing activities		8,556	11,639
Net change in cash and cash equivalents		523	(2,291)
Cash and cash equivalents at the start of the period		2,246	4,537
Cash and cash equivalents at the end of the period		2,769	2,246

The notes form part of these accounts.

Notes to the financial statements

for the 52 week period ended 29 December 2019

1 Company information

The financial statements of The City Pub Group plc (as consolidated "the Group") for the 52 week period ended 29 December 2019 were authorised for issue in accordance with a resolution of the directors on 11 June 2020. 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 29 December 2019 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), Gresham Collective Limited (Company No. 01508725), BNB Leisure Limited (Company No. 02450551), 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 thousand pounds except when otherwise indicated.

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

2.2 Statement of Compliance

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

2.3 New and Revised Standards

IFRS in issue but not applied in the current financial statements

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

- IFRS 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)

IFRS 16, "Leases"

IFRS 16 will be effective for the annual period beginning on 30 December 2020 and adoption of the standard 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 relates to property leases for the Group's Leasehold property sites and Head Office. Based on the provisional assessment of the new standard, the Group expects the following impact to the period ending 27 December 2020: recognition of a right-of-use asset of between £18.5m to £22.5m and lease liabilities, to be split between current and non-current, of between £18.5m to £22.5m. In addition, the Group expects reduced lease operating expenses in the region of £2.0m to £2.2m, offset by increased depreciation and interest charges in the region of £2.1m to £2.5m, thereby increasing EBITDA. Profit before tax will be lower in the initial years, after transition, as a result of the effective interest unwind on reducing liabilities rather than having a straight-line expense under IAS17. Cash flows from lease payments for qualifying leases will now be presented as financing cash flows instead of operating cash flows without changing any timing of cash flows.

Notes to the financial statements cont'd

for the 52 week period ended 29 December 2019

2 Significant accounting policies continued

2.4 Predecessor value method

During the period ended 31 December 2017 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. As a common control combination, the transaction was outside the scope of IFRS 3 ("Business Combinations") and the Directors therefore considered the nature of the transaction, which was eligible for Merger Relief under the Companies Act, and decided that the predecessor value method would be most appropriate for preparing those and subsequent 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 arose on the combination. The use of the predecessor value method gave 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 July 2019, the Group agreed a new £35m revolving credit facility with Barclays bank plc and an accordion option of another £15m all on improved terms. This is initially a 3-year deal, but with the options to extend for two additional years, so potentially taking the facility out to July 2024.

The impact of COVID-19 has had a devastating impact on the pub sector, with the enforced closure of all pubs on 20 March 2020.

The Board acted decisively to secure the appropriate liquidity for the business to endure a prolonged period of closure should that be mandated. £15m of new shares were placed with Institutional Shareholders and a further £7m was raised from existing shareholders in an open offer with total funds raised of £22m pre expenses, which was received in April 2020. This has enabled the business to reduce its net debt by two thirds and as a result has significantly strengthened the Group's balance sheet.

Simultaneously with the share placing Barclays agreed to waive covenant testing until Q4 2020. Barclays remain very supportive of the Group.

Barclays have now agreed to replace The City Pub Group plc's RCF's existing financial covenants with a Minimum Liquidity Test in the sum of £8m to be tested quarterly until and including 30 June 2021, after which date the financial covenant tests as currently documented will recommence.

During the fundraising process, the Board assured shareholders that it would run the business on a very tight rein and would take actions to minimise running costs during closure whilst maintaining the company's essential needs.

We have reduced Pub and head office costs to the minimum. Some 99% of staff have been furloughed on the governments Job Retention Scheme. The Directors' pay has been cut by 50% until pubs reopen and other head office salaries have been reduced. We have applied for Grants where applicable. At the current time, we have not looked to access funds via the Government's Coronavirus Large Business Interruption Loan Scheme (CLBILS), but this is an option that remains available. The Group have negotiated settlement discounts from some larger suppliers, but at the same time ensured that smaller suppliers are paid in full. We are in negotiations with landlords with regards to rent holidays, rent deferrals and changes in terms of some leases. The Group is pursuing claims under our insurance policies where the Company benefits from a loss of trade clause in the event of an outbreak of a notifiable disease.

COVID-19 has created immense challenges to our sector but as a result of the Board's quick actions to strengthen the balance sheet through share placing and decisive actions on cutting costs – variable or fixed –, the Board believes the Group has significantly mitigated the devastating effect that COVID-19 has had on the pub sector and that it has sufficient financial liquidity to see the Company through to well into 2021.

We have performed a number of scenarios to consider the potential impact of COVID-19 on the Group's results. In preparing our forecasts, we have assumed that the pubs would be fully closed for a period of over 4 months and that some pubs would be able to reopen from 1st August. We have not assumed that there will be additional closures due to a second wave of the Coronavirus. We anticipate that it may take considerable time before trade is back to the pre-COVID-19 levels.

Based on the current financial projections to 30 June 2021 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.

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.

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 29 December 2019

2 Significant accounting policies continued

2.12 Financial instruments

Recognition, initial measurement and derecognition

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

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

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement 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 29 December 2019

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 receivable basis 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:

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.

Judgement is required when accounting for hive ups that are operationally enacted and that determines when control has passed. See note 13.

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 impairment of property, plant & equipment also requires an estimate of value in use.

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 29 December 2019

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.

	2019 £'000	2018 £'000
Revenue	**60,028**	45,674
Cost of sales	**(15,165)**	(11,621)
Gross profit	**44,863**	34,053
Operating expenses:		
• Operating expenses before adjusting items	**(35,663)**	(26,194)
Adjusted EBITDA	**9,066**	7,859
• Depreciation	**3,407**	(2,552)
• Share option charge	**274**	(377)
• Exceptional items	**2,861**	(2,121)
Total operating expenses	**(42,339)**	(31,244)
Operating profit	**2,524**	2,809

5 Profit on ordinary activities before taxation

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

	2019 £'000	2018 £'000
Costs of inventories recognised as an expense	**15,632**	12,288
Staff costs (note 23)	**22,363**	16,613
Depreciation	**3,407**	2,552
Fees payable to the company's auditor for the audit of the company's financial statements	**67**	56
Fees payable to the company's auditor for the audit of the group financial statement	**11**	11
Tax compliance	**9**	12
Tax advisory services	**24**	8
Exceptional costs (note 8)	**2,861**	2,121
Operating leases – land and buildings	**2,056**	1,572

6 Interest payable and similar charges

	2019 £'000	2018 £'000
On bank loans and overdrafts	**596**	449
Interest expense capitalised within property, plant & equipment	**(275)**	(259)
Total finance cost	**321**	190

During the period £275,000 of interest was capitalised (2018: £259,000).

7 Tax charge on profit on ordinary activities

(a) Analysis of tax charge for the period

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

	2019 £'000	2018 £'000
Current income tax:		
Current income tax charge	**608**	604
Adjustments in respect of previous period	**40**	(81)
Total current income tax	**648**	523
Deferred tax:		
Origination and reversal of temporary differences	**243**	131
Adjustments in respect of deferred tax of previous period	**–**	–
Total deferred tax	**243**	131
Total tax	**891**	654

(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% (2018: 19.00%). The differences are explained as follows:

	2019 £'000	2018 £'000
Profit on ordinary activities before tax	**2,203**	2,619
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 19.00% (2018: 19.00%)	**419**	498
Effect of:		
Fixed asset differences	**415**	66
Items not deductible for tax purposes	**61**	171
Adjustment in respect of previous periods	**40**	(81)
Share options tax deduction	**(44)**	–
Total tax charge	**891**	654

Notes to the financial statements cont'd

for the 52 week period ended 29 December 2019

8 Exceptional items

	2019 £'000	2018 £'000
Pre opening costs	**777**	1,455
Impairment of pub sites	**1,914**	480
Other non recurring items	**170**	186
	2,861	2,121

9 Dividends

Dividends paid during the reporting period

The Board declared a dividend of 2.75p (2018: 2.25p) per 50p Ordinary share for shareholders on the share register as at 31 May 2019, which was approved at the Annual General Meeting and paid on 1 July 2019. The Group received valid elections for the scrip dividend alternative in respect of 8,255,345 ordinary share of 50 pence each, which lead to a total of 103,777 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 are not proposing a dividend due to the COVID-19 pandemic (2018: 2.75p).

10 Earnings per share

	2019 £'000	2018 £'000
Earnings for the period attributable to Shareholders	**1,312**	1,965
Earnings per share:		
Basic earnings per share (p)	**2.20**	3.44
Diluted earnings per share (p)	**2.19**	3.41

Weighted average number of shares:	**Number of shares**	Number of shares
Weighted average shares for basic EPS	**59,523,815**	57,216,344
Effect of share options in issue	**456,481**	476,688
Weighted average shares for diluted earnings per share	**59,980,296**	57,693,032

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 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Cost brought forward	**3,854**	2,525	**2,021**	1,102
Additions	**343**	1,329	**343**	919
Disposal	**(1)**	–	**–**	–
Transfer of business – hive up	**–**	–	**1,832**	–
At end of period	**4,196**	3,854	**4,196**	2,021
Amortisation/impairment brought forward	**(60)**	–	**(60)**	–
Provided during the period	**–**	(60)	**–**	(60)
At end of period	**(60)**	(60)	**(60)**	(60)
Net book value at end of period	**4,136**	3,794	**4,136**	1,961
Net book value at start of period	**3,794**	2,525	**1,961**	1,102

The carrying value of goodwill included within the Group and Company statement of financial position is £4,136,000, which is allocated to the cash-generating unit ("CGU") of groupings of public houses as follows:

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Freehold	**2,396**	2,396	**2,396**	968
Leasehold	**1,740**	1,398	**1,740**	993
	4,136	3,794	**4,136**	1,961

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 29 December 2019, 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 in performance, as assessed by the directors, would not cause the carrying amount of the CGU to exceed its recoverable amount.

Notes to the financial statements cont'd

for the 52 week period ended 29 December 2019

12 Property, plant and equipment

Group	Freehold & leasehold property £'000	Fixtures, fittings and computers £'000	Total £'000
Cost			
At 31 December 2017	59,588	15,839	75,427
Additions	7,381	4,308	11,689
Acquisitions (Note 26)	11,718	1,638	13,356
At 30 December 2018	**78,687**	**21,785**	**100,472**
Additions	8,377	6,998	15,375
Acquisitions (Note 26)	10,319	638	10,957
Disposals	(91)	(64)	(155)
At 29 December 2019	**97,292**	**29,357**	**126,649**
Depreciation			
At 31 December 2017	1,432	6,048	7,480
Provided during the period	349	2,203	2,552
Impairment	420	–	420
At 30 December 2018	**2,201**	**8,251**	**10,452**
Provided during the period	643	2,764	3,407
Impairment	1,802	112	1,914
Disposals	(19)	(19)	(38)
At 29 December 2019	**4,627**	**11,108**	**15,735**
Net book value			
At 29 December 2019	**92,665**	**18,249**	**110,914**
At 30 December 2018	76,486	13,534	90,020
At 31 December 2017	58,156	9,791	67,947

During the period ended 29 December 2019 the group has made a provision for impairment against a number of sites totalling £1,914,000. The value in use represents a Level 3 fair value measurement, with the assets being held at their recoverable amount of £2,545,000.

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 29 December 2019 the group capitalised £275,000 (2018: £259,010) of interest within the Freehold & Leasehold property asset.

Company	Freehold & leasehold property £'000	Fixtures, fittings and computers £'000	Total £'000
Cost			
At 31 December 2017	32,811	10,401	43,212
Additions	2,758	2,122	4,880
Acquisitions (Note 26)	4,157	434	4,591
At 30 December 2018	**39,726**	**12,957**	**52,683**
Additions	2,898	4,887	7,785
Acquisitions (Note 26)	10,319	638	10,957
Disposals	(91)	(64)	(155)
Transferred on hive-up of business	44,440	10,939	55,379
At 29 December 2019	**97,292**	**29,357**	**126,649**
Depreciation			
At 31 December 2017	656	3,711	4,367
Provided during the period	256	1,252	1,508
Impairment	420	–	420
At 30 December 2018	**1,332**	**4,963**	**6,295**
Provided during the period	505	2,159	2,664
Impairment	1,802	112	1,914
Disposals	(19)	(19)	(38)
Transferred on hive-up of business	1,007	3,893	4,900
At 29 December 2019	**4,627**	**11,108**	**15,735**
Net book value			
At 29 December 2019	**92,665**	**18,249**	**110,914**
At 30 December 2018	38,394	7,994	46,388
At 31 December 2017	32,155	6,690	38,845

Notes to the financial statements cont'd

for the 52 week period ended 29 December 2019

13 Investments in subsidiaries

Company	2019 £'000	2018 £'000
At start of period	**12,063**	11,913
Additions	**407**	400
Transferred on hive up of business	**263**	–
Disposal on liquidation of subsidiaries	**(3)**	(250)
At end of period	**12,730**	12,063

During the year the Company acquired 100% of the share capital of BNB Leisure Limited and Gresham Collective Limited as part of Pub acquisitions – see note 26.

During the year the group liquidated one subsidiary held by the Company at the beginning of the year, being The Inn On The Beach Limited.

During the year the Company hived up the trade and assets of its subsidiary The City Pub Company (West) Limited via an intercompany transfer, which included the transfer of investments previously held by The City Pub Company (West) Limited.

The Company had the following subsidiary undertakings as at 29 December 2019:

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
BNB Leisure Limited	Ordinary	England and Wales	100%	Dormant
Gresham Collective Ltd	Ordinary	England and Wales	100%	Dormant
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

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

14 Inventories

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Finished goods and goods for resale	**1,220**	960	**1,220**	479

15 Trade and other receivables

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Trade receivables	**462**	209	**462**	106
Other receivables	**1,218**	813	**1,218**	529
Amounts due from group undertakings	**–**	–	**–**	18,336
Prepayments and accrued income	**1,726**	1,520	**1,726**	888
	3,406	2,542	**3,406**	19,859

16 Current trade and other payables

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Trade payables	**3,392**	3,467	**3,392**	1,734
Corporation taxation	**300**	252	**300**	–
Other taxation and social security	**2,406**	1,778	**2,406**	1,584
Amounts due to group undertakings	**–**	–	**15,515**	400
Accruals	**1,488**	1,701	**1,488**	934
Other payables (note 17)	**1,441**	1,296	**1,441**	433
	9,027	8,494	**24,542**	5,085

17 Non-current other payables

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Deferred consideration	**50**	–	**50**	–

Deferred consideration has arisen in relation to the acquisition of both The Hoste and The Pride of Paddington, see note 26, of this deferred consideration £50,000 was due after more than one year and £375,000 was due within one year and included within other payables as at 29 December 2019 (2018: £310,000 of deferred consideration included within current other payables in relation to the Old Fire House).

18 Borrowings and financial liabilities

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Non-current borrowings and financial liabilities:				
Bank loans	**32,310**	11,600	**32,310**	7,100
	32,310	11,600	**32,310**	7,100

At 29 December 2019 a revolving credit facility of £32,500,000 (2018: £11,600,000) was outstanding, net of capitalised arrangement fees, 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 July 2022, but can be extended for an additional 2 years.

Notes to the financial statements cont'd

for the 52 week period ended 29 December 2019

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 £'000	Short-term Borrowings £'000	Total £'000
At 1 January 2019	11,600	–	11,600
Cash flows:			
Proceeds	20,695	–	20,695
Non-cash items:			
Amortisation of loan arrangement fees	15	–	15
At 29 December 2019	**32,310**	**–**	**32,310**

	Long-term Borrowings £'000	Short-term Borrowings £'000	Total £'000
At 1 January 2018	–	245	245
Cash flows:			
Proceeds	11,600	–	11,600
Repayments	–	(245)	(245)
Non-cash items:	–	–	–
At 30 December 2018	**11,600**	**–**	**11,600**

The short-term borrowings brought forward comprised the accrued dividend on Convertible Preference Shares, paid in January 2018.

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

	Long-term Borrowings £'000	Short-term Borrowings £'000	Total £'000
At 1 January 2019	7,100	–	7,100
Cash flows:			
Proceeds	10,298	–	10,298
Transferred on hive up of business	14,897	–	14,897
Non-cash items:			
Amortisation of loan arrangement fees	15	–	15
At 29 December 2019	**32,310**	**–**	**32,310**

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

The short-term borrowings brought forward comprised the accrued dividend on Convertible Preference Shares, paid in January 2018.

19 Financial instruments and risk management

Financial instruments by category:

	Group 2019 £'000	Group 2018 £'000	**Company 2019 £'000**	Company 2018 £'000
Financial assets – loans and receivables				
Trade and other receivables	**1,680**	1,022	**1,680**	635
Amounts due from group undertakings	**–**	–	**–**	18,336
Cash and cash equivalents	**2,769**	2,853	**2,769**	2,246
	4,449	3,875	**4,449**	21,217

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

	Group 2019 £'000	Group 2018 £'000	**Company 2019 £'000**	Company 2018 £'000
Non-current				
Borrowings	**32,310**	11,600	**32,310**	7,100
Other payables	**50**	–	**50**	–
	32,360	11,600	**32,360**	7,100
Current				
Current borrowings	**–**	–	**–**	–
Trade and other payables	**4,833**	4,762	**4,833**	2,167
Amounts due to group undertakings	**–**	–	**15,515**	400
	4,833	4,762	**20,348**	2,567

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 2019 £'000**	Group 2018 £'000	**Company 2019 £'000**	Company 2018 £'000
A1	**2,637**	2,723	**2,637**	2,188
Not rated	**132**	130	**132**	58
	2,769	2,853	**2,769**	2,246

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.

Notes to the financial statements cont'd

for the 52 week period ended 29 December 2019

19 Financial instruments and risk management continued

Market risk – cash flow interest rate risk

The Group had outstanding borrowing of £32,500,000 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 29 December 2019, 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. 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%
29 December 2019	**(285)**	**285**	**(285)**	**285**
30 December 2018	(168)	168	(168)	168

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 £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
As at 29 December 2019:				
Borrowings	**–**	**–**	**32,310**	**–**
Trade and other payables	**4,833**	**50**	**–**	**–**
As at 30 December 2018:				
Borrowings	–	–	11,600	–
Trade and other payables	4,762	–	–	–

Company	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
As at 29 December 2019:				
Borrowings	–	–	32,310	–
Trade and other payables	20,348	50	–	–
As at 30 December 2018:				
Borrowings	–	–	7,100	–
Trade and other payables	2,567	–	–	–

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 31 December 2017, 30 December 2018 or 29 December 2019.

Notes to the financial statements cont'd

for the 52 week period ended 29 December 2019

21 Deferred tax

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Provision for deferred tax				
Accelerated capital allowances	**986**	743	**986**	343
Arising on acquisition	**1,137**	794	**1,137**	324
	2,123	1,537	**2,123**	667
Provision at the start of the period	**1,537**	1,082	**667**	308
Arising on acquisition	**343**	324	**343**	324
Transferred on hive up of business	**–**	–	**870**	–
Deferred tax charge for the period	**243**	131	**243**	35
Provision at the end of the period	**2,123**	1,537	**2,123**	667

22 Share capital

	2019 £'000	2018 £'000
Allotted called up and fully paid		
61,623,791 Ordinary shares of 50 pence each: (2018: 61,302,514)	**30,812**	30,651

During the year, between the 30 May 2019 and 8 October 2019, the Company issued a total of 217,500 new shares to satisfy the exercise of share options. The 217,500 new ordinary shares of 50 pence per share all related to options that had an exercise price of 100.0 pence per share, with the excess over nominal value credited to the share premium account.

On 1 July 2019 103,777 new ordinary shares of 50 pence per share were issued as part of the scrip dividend alternative, with an issue price of 218.7 pence per share, with the premium 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
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
Issue of new ordinary shares for Scrip dividend	103,777
Issue of new ordinary shares on exercise of share options	217,500
At 29 December 2019	**61,623,791**

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. No shares (2018: 1,925,000) in the Company were purchased during the period at a cost of £nil (2018: £3,272,500).

At 29 December 2019 the JSOP held 1,925,000 ordinary shares in The City Pub Group plc (2018: 1,925,000).

At 29 December 2019 awards over 1,925,000 (2018: 1,925,000) 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:

	2019	2018
Management and Administration	**98**	80
Operation of Public Houses	**1,111**	832
	1,209	912

Employment costs (including Directors)

	2019 £'000	2018 £'000
Wages and salaries	**20,772**	15,204
Social security costs	**1,318**	1,032
Share options	**273**	377
	22,363	16,613

Notes to the financial statements cont'd

for the 52 week period ended 29 December 2019

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		Taxable Benefits		Pension/Other		JSOP/EMI		Total	
	2019 £000	2018 £000	**2019 £000**	2018 £000	**2019 £000**	2018 £000	**2019 £000**	2018 £000	**2019 £000**	2018 £000
Clive Watson	**145**	130	**21**	4	**7**	4	**–**	40	**173**	178
Alex Derrick	**145**	130	**13**	6	**7**	4	**–**	40	**165**	180
Rupert Clark	**145**	130	**9**	9	**7**	4	**–**	40	**161**	184
Tarquin Williams	**130**	115	**2**	2	**6**	4	**–**	40	**138**	160
Richard Prickett	**47**	40	**–**	–	**–**	–	**–**	–	**47**	40
John Roberts	**33**	30	**–**	–	**50**	41	**–**	–	**83**	71
Neil Griffiths	**42**	29	**–**	–	**–**	–	**–**	–	**42**	29
Total	**687**	604	**45**	21	**77**	57	**–**	160	**809**	842

Emoluments in respect of the Directors are as follows:

	2019 £'000	2018 £'000
Remuneration for qualifying services	**809**	842

The highest paid Director in the period received remuneration of £173,000; (2018: £184,000). Four directors had equity settled share options in issue at the period end (2018: 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 2018. 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 29 December 2019 no options were granted under the CSOP scheme (2018: 922,500) and no awards were made under the JSOP scheme (2018: 1,925,000). A share-based payment charge of £274,000 (2018: £377,000) has been reflected in the consolidated statement of comprehensive income.

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

	2019 Number of Awards	**2019 Weighted average exercise price £**	2018 Number of Awards	2018 Weighted average exercise price £
Outstanding at start of period	**3,785,000**	**1.69**	1,042,500	1.00
Granted	**–**	**–**	2,847,500	1.94
Exercised	**(217,500)**	**1.00**	–	–
Expired	**(235,000)**	**1.48**	(105,000)	(1.70)
Outstanding at 29 December 2019	**3,332,500**	**1.75**	3,785,000	1.69
Exercisable at 29 December 2019	**735,000**	**1.00**	–	–

The weighted average remaining contractual life of options outstanding at the end of the period is 3.58 years (2018: 4.98 years).

26 Business combinations

During the period the Group acquired two 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 2019 £'000	Company 2019 £'000
Provisional fair value:		
Property, plant and equipment acquired	**10,957**	10,957
Deferred tax liability	**(343)**	(343)
Goodwill	**343**	343
Total	**10,957**	10,957
Satisfied by:		
Cash	**9,840**	9,840
Deferred consideration	**1,117**	1,117
Total	**10,957**	10,957

Notes to the financial statements cont'd

for the 52 week period ended 29 December 2019

26 Business combinations continued

	BNB Leisure Ltd (The Hoste)	Gresham Collective Ltd (Pride of Paddington)
Provisional fair value:		
Property, plant and equipment acquired	8,957	2,000
Deferred tax liability	–	(343)
Goodwill	–	343
Total	**8,957**	**2,000**
Satisfied by:		
Cash	8,140	1,700
Deferred consideration	817	300
Total	**8,957**	**2,000**

Since the date of acquisition, but before the end of the period, £692,000 of deferred consideration has been settled in cash, with £425,000 of deferred consideration remaining outstanding at the balance sheet date.

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 2019 £'000	Group 2018 £'000	**Company 2019 £'000**	Company 2018 £'000
Within one year	**2,061**	1,775	**1,508**	1,300
Between one and five years	**8,242**	7,099	**6,031**	5,199
After five years	**17,991**	16,505	**13,923**	12,681
	28,294	25,379	**21,462**	19,180

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 the trade and assets of Gresham Collective Limited and BNB Leisure Limited for £407,000 and this amount is shown as part of the amount due to group undertakings in note 16.

As disclosed in note 15 the Company is owed £nil (2018: £18,335,959) by its subsidiary undertakings, The City Pub Company (West) Limited. At the Group's interim period end the business of The City Pub Company (West) Limited was hived up via an intercompany transfer resulting in a significant part of the amount due to group undertakings (2018: £nil) – see note 16.

£15,006; 2018: £11,377 was paid to Helen Watson, who is related to Clive Watson. At the period end Helen Watson was owed £nil (2018: £nil). Helen Watson has an existing £10,000 float with the group.

At the end of the period an advance of £20,000 was paid to Alex Derrick, which was to be repaid following his CSOP exercise.

(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 29 December 2019 and 30 December 2018.

29 Post balance sheet events

COVID-19

Since the year-end, in January 2020 the World Health Organisation declared a health emergency following reports of an outbreak of an unknown virus. Subsequently in March 2020 this virus was identified as COVID-19 and the World Health Organisation confirmed it as a global pandemic. The UK Government announced the closure of all pubs and restaurants effective from 20 March, followed by complete lockdown across the country from 23 March.

The Company has put in place a number of actions to reduce cash outgoings and reducing both capital and operating expenditure to essential spend only. This includes temporary and permanent reductions in the number of employees, salary sacrifice of staff, reduction in the salary of Directors by 50% until the pubs re-open and putting on hold all training and recruitment costs. Certain variable costs have been suspended along with other entertainment and promotional activities.

The Company is also participating in a number of relevant UK Government COVID-19 support initiatives, including the Coronavirus Job Retention Scheme for furloughed employees, the deferral of some payments to HMRC and business rates relief. In order to conserve cash the Company has also been in discussions with it's landlords with a view to achieving rent holidays and with suppliers regarding extending credit terms. Furthermore, the Company submitted claims under relevant insurance policies for both COVID-19 and for its pubs being closed down.

Placing and Open Offer

On 27 March the Company announced it successfully raised up to £22 million, before expenses, by way of a Placing of up to £15 million (before expenses) and Open Offer of up to £7 million (before expenses), at the Issue Price of 50 pence per share. Given the uncertainty triggered by COVID-19 and the subsequent disruption, the Company believes the Placing and Open Offer is a prudent measure to further strengthen the Company's balance sheet, working capital and liquidity position and also, should the right opportunities arise, to expand the Company's portfolio of pubs at a time when the Directors' believe short-term acquisition prices will be reduced.

The Directors are confident that the steps which have been taken will ensure sufficient liquidity even in the event of its most pessimistic trading scenario which assumes the total closure of the entire estate for 12 months and re-opening on a phased basis. The increased liquidity will also improve the operational execution as a result of a more streamlined business and enable the Company to plan ahead for when more normal levels of business operations return.

The Company has a strong and supportive relationship with its bank. Whilst its bank have waived key covenant tests until December 2020, its £35 million bank facility, repayable in 2022 is fully drawn and its £15 million accordion facility remains subject to credit committee approval. The Directors' believe that with the successful Placing and Open Offer, the Company will be well placed to grow the business and recover shareholder value once it's pubs reopen. In May 2020, the Company have agreed terms to acquire a pub with letting rooms in Mumbles, near Swansea.

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 FCA – 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
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

Notes

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

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