# THE CITY PUB GROUP

Annual Report & Accounts 2020

# Contents



## About the Group

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

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

The City Pub Group owns and operates an estate of premium pubs across southern England and Wales. The Group's pub estate comprises 45 trading predominately 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.


Go online to find out more
www.citypubcompany.com

# Company highlights

## FINANCIAL

**Revenue down 57% to**

# £25.8m

(2019: £60.0 million)

**Adjusted EBITDA* of**

# £(0.8)m

(2019: £9.1 million)

**Adjusted profit/(loss) before tax** of**

# £(5.1)m

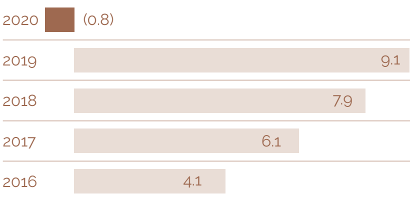
(2019: £5.3 million)

**Reported profit/(loss) of**

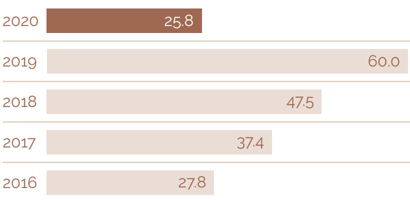
# £(6.5)m

(2019: £1.3 million)

### Adjusted EBITDA (£m)




### Revenue (£m)




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.

## OPERATIONAL

**Land ownership**

63% Freehold

37% Leasehold

**Number of trading sites expected post COVID-19**

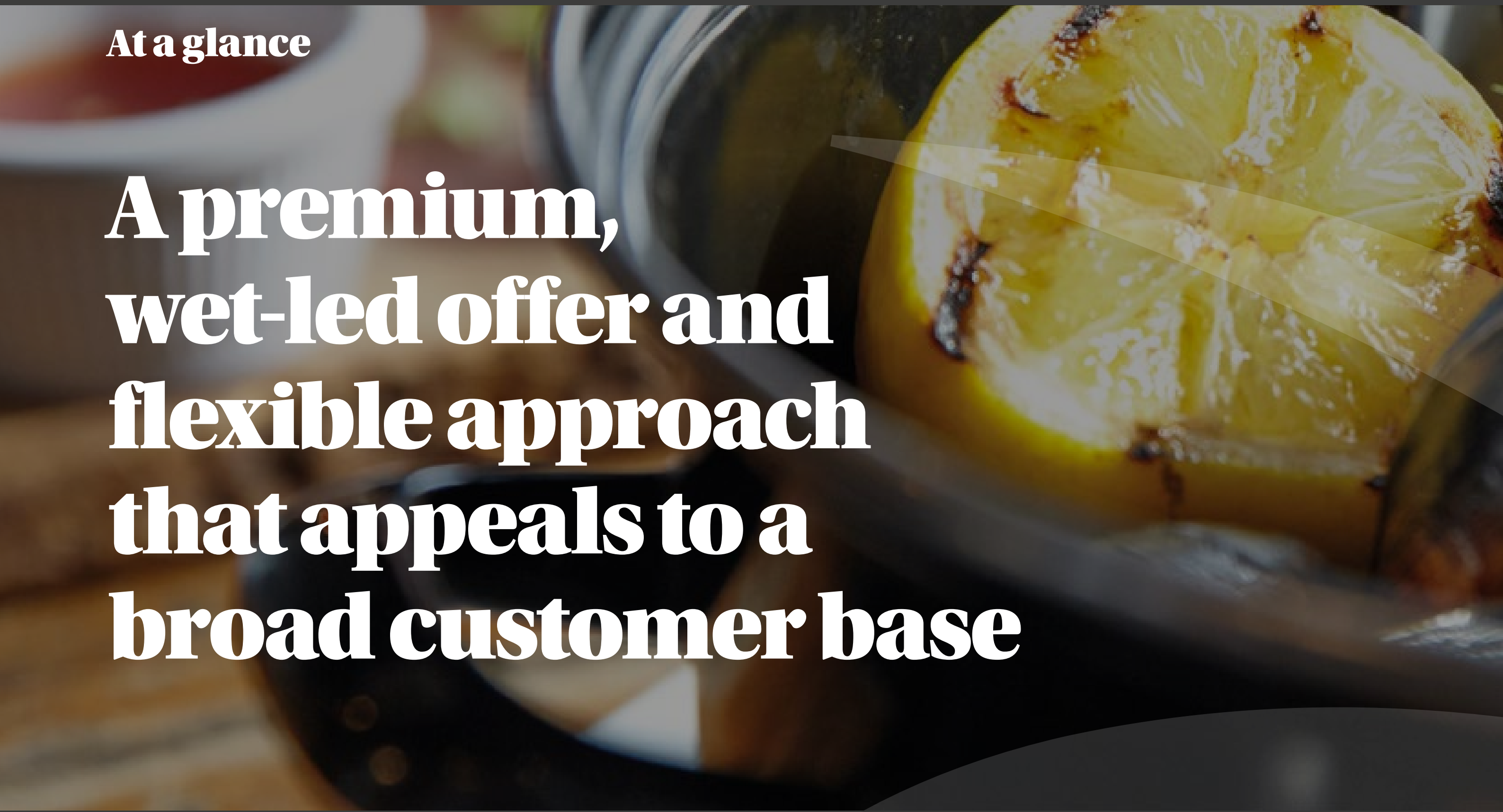
# 45


* Pre-IFRS16 Adjusted earnings before exceptional items, share option charge, interest, taxation, depreciation and amortisation.
** Pre-IFRS16 Adjusted profit / (loss) before tax is the profit / (loss) before tax, share option charge and exceptional items.

| | **2020** | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Revenue £m** | **Operating loss £m** | **EBITDA £m** | **Loss before tax £m** | Revenue £m | Operating profit £m | EBITDA £m | Loss before tax £m |
| Reported | **25.8** | **(6.5)** | **(1.0)** | **(7.6)** | 60.0 | 2.5 | 5.9 | 2.2 |
| Share option charge | **–** | **0.4** | **0.4** | **0.4** | – | 0.3 | 0.3 | 0.3 |
| Exceptional items | **–** | **1.8** | **1.8** | **1.8** | – | 2.9 | 2.9 | 2.9 |
| Rounding | **–** | **–** | **–** | **–** | – | – | – | (0.1) |
| Adjusted | **25.8** | **(4.3)** | **1.2** | **(5.4)** | 60.0 | 5.7 | 9.1 | 5.3 |

**Key Metrics**

| | Post IFRS 16 52 weeks to 27.12.20 £m | Pre IFRS 16 52 weeks to 27.12.20 £m | 52 weeks to 29.12.19 £m | Change Pre IFRS 16 % |
|---|---|---|---|---|
| Revenue | 25.8 | 25.8 | 60.0 | -57% |
| Adjusted EBITDA | 1.2 | (0.8) | 9.1 | N/A |
| Adjusted Profit/(loss) before tax | (5.4) | (5.1) | 5.3 | N/A |



## At a glance

# A premium, wet-led offer and flexible approach that appeals to a broad customer base

## Timeline

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

### 2011

### 2012

First four pubs to start trading

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

Pubs added to portfolio

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

### 2013

### 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

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

### 2015

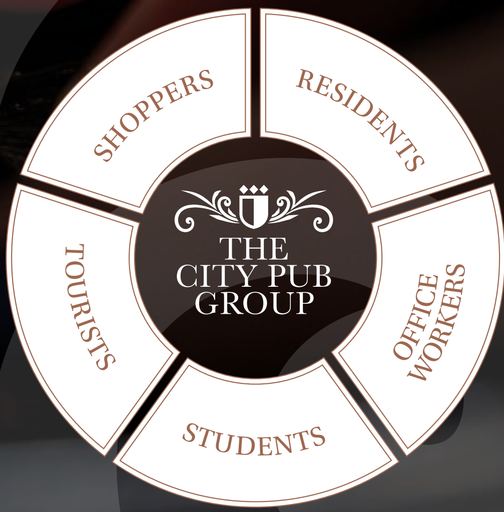
## WHAT WE DO

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 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:




**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

**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)
**IPO** in November 2017

**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

**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

**2020**

**Disposal of a cottage near to the Hoste, Burnham Market**

## Chairman's statement

# A strengthened base for improving returns

**We are a streamlined, well-invested business with a first-rate customer offer. Our pub estate is unique in terms of quality and, with the step change in the business, we have an ideal platform to grow successfully in the future.**

**CLIVE WATSON**
Executive Chairman

Since my last statement in September 2020, the business has continued to face significant challenges caused by COVID-19. Our pub estate was effectively closed for trade from November 2020 until mid-April 2021 because of the second and third Government-imposed national lockdowns. I believe your Directors have dealt with this extraordinary and unique situation in a very professional and commercial fashion.

During the course of the lockdown, much management time was spent focussing on minimising cost, systems improvement, optimising marketing activities, building the now very popular City Club app and, critically, preparing the trading estate for reopening. Equally as important has been the work to maintain good levels of staff morale, some of whom have found the pandemic difficult from a well-being perspective.

### Trading Estate

The Group currently operates 45 trading sites and a further 4 development sites.

Despite the pandemic, we have not stood still: we have undertaken extensive refurbishment at The Hoste Burnham Market on the ground floor trading areas and refurbished a further ten bedrooms.

Additionally, we are in the process of securing planning permission for extra outside seating space. The £300k capital spent has significantly upgraded The Hoste, one of our premier trading pubs, particularly as we approach a summer of staycations. We also carried out works at Inn on the Beach (Hayling Island), Brighton Beach Club and Georgian Townhouse (Norwich) expanding and improving the outside trading areas. Across the estate, we have now added more than 600 outside covers allowing for outside trading under Government restrictions in the short term, and moreover for the long-term as we look to take advantage the forecast trend of increased domestic holidays. The Group also benefits from 191 bedrooms. The make-up of our estate, combined with the work undertaken during the lockdown periods places us in a very strong position to capitalise on opportunities as restrictions ease.

As regards our development sites, we intend to start work on the Turks Head in Exeter imminently, with a view to opening the site in early Autumn. We are committed to commence works on the Tivoli in Cambridge, The Nest in Bath and our new hotel/restaurant/pub in Mumbles, Swansea, and these projects will start during the course of the summer.

The Group's estate of predominately freehold high-quality managed pubs is virtually unique in the pub sector. Our managed pubs have high levels of weekly sales, many pubs have great outside trading areas and the number of rooms across the estate has increased significantly over the last few years. On a normalised trading basis, the directors' valuation of the Group's portfolio is approximately £150m.

### Acquisitions

As we emerge from the pandemic, there will be opportunities that arise and we are assessing investment opportunities on a very selective basis. We recently announced that we have acquired a 49% stake in an EIS-backed business, Barts Pub Ltd, which owns the iconic Kensington Park Hotel (KPH), based in Ladbroke Grove. The Group will run this pub under a management contract initially and has also secured an option to acquire the freehold of KPH to ensure that this asset comes into our ownership soon. KPH benefits from ground and first floor bars, as well as 7 boutique hotel rooms, and further opportunities to develop unutilised space on the top floor into 4 further bedrooms. KPH typifies the type of acquisition the Group is looking for – a high quality property in densely populated, affluent, residential area.

Last year the Group invested in £1.2m in Mosaic Pub and Dining Tranche 1 of companies resulting in the Group taking a 14% equity stake in a fundraising which was priced at 40p per share. In March 2021, the Group increased its stake to 24% stake at a price of 60p per share. The pub portfolio is high quality, with 7 of the 9 pubs being freehold and the majority having outside trading areas close to prime residential neighbourhoods. The City Pub Group and Mosaic Pub and Dining negotiate major trading deals for liquor products together and the Group's equity stake in Mosaic will strengthen this relationship going forward.

### Disposals

The Group has identified four leases we intend to hand back or dispose of in an outright manner, but currently has no intention to make further disposals, apart from ancillary areas in certain pubs which can be sold for alternative use, primarily residential accommodation, a continuation of our stated strategy. In December 2020, the Group disposed of some cottages near to The Hoste in Burnham Market, for proceeds of £820k. Once COVID-19 is behind us, we will look for further disposal opportunities of this type.

### Financial Highlights

Summary for the 52 weeks ended 27 December 2020:

- Revenue down 57% to £25.8 million (2019: £60.0 million)
- Adjusted EBITDA* of £(0.8) million (2019: £9.1 million)
- Adjusted profit/(loss) before tax** of £(5.1) million (2019: £5.3 million)
- Reported profit/(loss) of £(6.5) million (2019: £1.3 million)

### Key Metrics

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# Chairman's statement cont'd

Included within these results is an impairment charge of c.£933k for some of our leasehold properties. These valuations are distorted by the impact of COVID-19, however as the Group starts trading again, it will focus on generating high levels of turnover per pub, on higher operating margins due to the streamlining and operational progress made and, on new investments, higher return on capital. It is worth noting that except for those assets which have been subject to the impairment review, values are recorded at historic cost and in many cases the current pub market value significantly exceeds this.

### Bank Facilities

In March 2021, the Group agreed to a £5m, 3-year, CLBILS loan in addition to its existing £35m RCF with Barclays, of which £25m is currently drawn. Barclays have agreed to waive the RCF's existing financial covenants through to June 2022. They have been replaced with a Minimum Liquidity Test in the sum of £8m plus an additional Minimum EBITDA Test to be tested on a monthly basis, after which date the financial covenant tests as currently documented will recommence.

The Group has a strong liquidity position with £15m of unutilised facilities as a result of the equity fundraising in March 2020 and tight cash control. This is sufficient liquidity not only to ride out the COVID-19 storm but also to begin to explore selective acquisitions. The Board would like to put on record its thanks to Barclays plc for all its assistance, particularly since the outbreak of COVID-19, in helping the Group to strengthen its financial position and be well placed to emerge strongly from the crisis.

### Retail and Operational Improvements

In the last 12 months, the Group has implemented the following improvements:

1. streamlined supply chain to improve operating margins;
2. reduced complexity of menus resulting in lower labour costs in the kitchen;
3. improved the City Club app (over 100,000 active members) where customers can now book, order and pay via the app, helping to reduce FOH labour costs;
4. conducted numerous renegotiations on key central contracts, reducing variable costs across the pub estate and at head office;
5. utility costs have been more effectively managed and behavioural changes made to reduce carbon emissions and costs;
6. marketing and bookings have been centralised to improved pre-booked business; and
7. Head office / Regional posts have been made redundant to speed up decision making and reduce costs.

These changes have helped to significantly reduce our cost base and have also lessened the complexity in the operation of our pubs. The Group wants to quickly return to being a dynamic, entrepreneurial, operation-focused business where it can improve the optimisation of existing capacity, as well as increase capacity by new acquisitions.

COVID-19 gave the Group a one-off opportunity to reset the way the business was operated and re-calibrate our ambitions to ensure that we are poised to deliver further growth and build upon what we have achieved since our IPO in November 2017.

### Strengthening the Board

At the beginning of 2020, the Board agreed to strengthen the Group's senior management team and to dispense with its dual City Pub Company East & City Pub Company West operating structure. In November 2020, we appointed Toby Smith to the board in a new role as Chief Operating Officer. Toby has extensive experience in the pub market having held senior positions at Stonegate Pub Company and Novus Leisure. Toby has already implemented changes to improve the operational management of the business and I am confident that his experience and style of management will successfully reopen our estate, but also help accelerate the growth of the Group.

We also strengthened the independence and diversity of the Board by appointing Emma Fox in March 2021. Emma is Chief Executive Officer of Berry Bros. & Rudd Ltd, and has extensive knowledge of the pub industry, having previously been a Non-Executive Director of Punch Taverns. Emma will not only help strengthen the Board from a Corporate Governance perspective, but she will also bring her knowledge in marketing and technology to the Group as it commits more resources to these increasingly important areas.

### ESG

As we emerge from a time of deep disruption and disconnection after Covid-19, we are at a turning point where we envision a world where our pubs are bringing people together in safe and supportive spaces so they can reconnect. To begin this journey, we have established an ESG committee, reporting to Emma Fox, Independent Non-Executive Director, and we launched a significant and thorough review of our current operations and processes to ensure that we emerge as a more responsible business, primed to play a positive role in the industry's recovery.

We have created a framework to deliver our vision by inspiring change and engaging with our partners to create independent spaces that benefit people, enrich our local communities and protect the planet.

This is underpinned by connection, collaboration, and transparency to maximise our positive impact. Our approach is localised, independent and responsible – adding value by being different and unique. Creating safe and supportive spaces for people and for the planet is central to this.

### Dividends

The Board has decided to utilise short-term positive cash flow generated to either invest in new opportunities or reduce its bank borrowings. However, when there is a return to normal trading conditions and the balance sheet is even stronger the Board will consider the resumption of dividend payments. The Board recognises that many companies in the pub sector have received state aid during the COVID pandemic and the Board will only contemplate payment of dividends when it no longer receives state aid.

### AGM

The AGM this year will be at Aragon House, Parson Green, and will be held at 12pm on Monday 28 June 2021.

### Outlook

Trading has been disrupted dramatically by the pandemic but the Board believes that due to last year's fundraising, the continued support of its banks, strengthening of the senior management team, and changes made at an operational level, the business is in even better shape than pre Covid-19 to take advantage of pent up demand.

Naturally, our immediate focus is ensuring our pubs trade well and profitably in the forthcoming months and making sure that we are delivering the right service and product to our customers.

Many of the changes we have made in the past year at an operational level, whether improved cost control or reduced complexity, will enable the business to be proactive in providing a first-rate customer offer in these fast-changing times.

We believe we are one of the best employers in the hospitality industry – many of our employees have share options – and we want to grow a great nucleus of retail and head office staff so that we can expand the estate as soon as possible.

Current trading in the 24 pubs that we have re-opened since 12 April has been extremely encouraging, with trading at 77% of 2019 levels, (excluding any benefits from VAT reductions on food and letting rooms) and, with pubs being allowed to have customers indoors, we are confident that we will get back to 2019 levels over the course of the summer, especially due to the sporting programme which includes the European 2021 football finals, the British and Irish Lions Tour of South Africa and return of tennis at Wimbledon.

I look forward to when we can provide firm opening dates for our development sites and when we can get back to delivering the vision we set out at the time of the IPO in November 2017. I believe we have the platform now to grow this business to be more than 100 pubs. The time it takes for us to reach this goal will, to a certain extent, depend on when certainty and normal trading conditions resume. The entire management team and I are very ambitious and are focussed on taking the opportunities which will arise from the anticipated shake-out across the pub industry.

This has been an extraordinary year and I and the Board particularly acknowledge the contribution of our staff, suppliers, shareholders, advisors and bankers. I cannot emphasise enough how grateful we to these key stakeholders who, as well as assisting us through unparalleled times, will also help us achieve our ambitions over the course of the next few years.

**Clive Watson**
Executive Chairman
10 May 2021

# 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

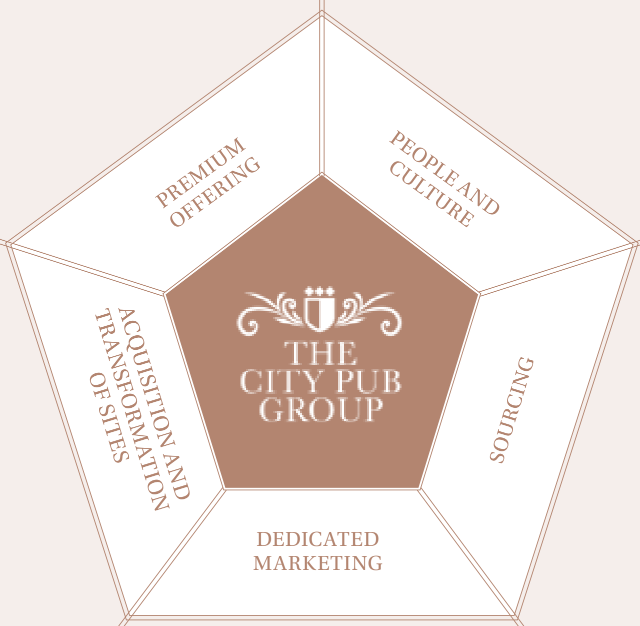
Micro-breweries in selected sites add differentiation and choice variety

### 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**
Prior to the IPO in November 2017, an independent valuation report by CBRE valued the Group's portfolio of 34 pubs at £73.65 million. At the time the valuation represented a 9% uplift on net book value. In the last 3 years the Group has continued to expand and has added a number of pubs to the portfolio including Aragon House and the Hoste, both are substantial freeholds.

**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.

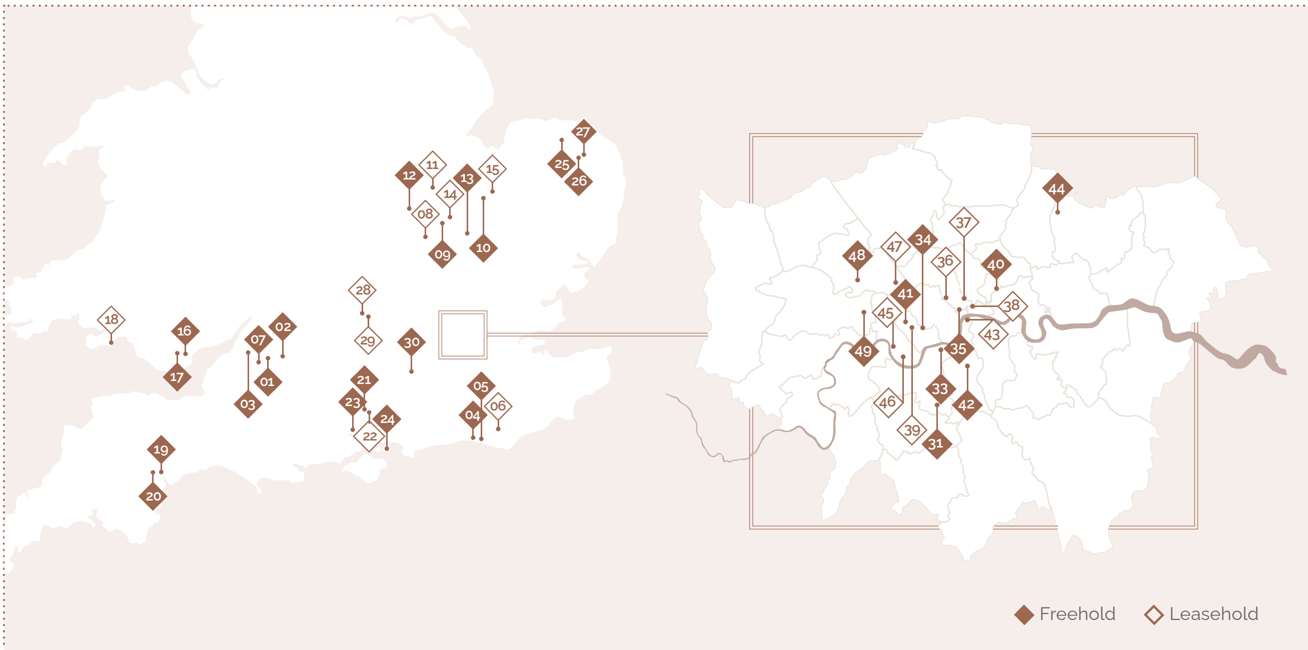
**Experienced management team, motivated staff and strong culture**
The management team of the Group has over 100 years' experience in the pub industry with an excellent reputation, extensive contact base and proven skill in identifying attractive sites for an attractive price. Staff are incentivised 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.

**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.**

## Pub Estate

The Group has a portfolio of 49 sites in southern England and Wales as shown on the map below. This consists of 45 trading sites (post Covid) and 4 development sites.

31 of the pubs in the portfolio are freehold (63%) and 18* are leasehold (37%)




### Bath

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

### Brighton

- 04 Lion & Lobster
- 05 The Walrus
- 06 Brighton BeachClub

### Bristol

- 07 King Street Brew House

### Cambridge

- 08 The Mill
- 9 Old Bicycle Shop
- 10 The Petersfield
- 11
- 12 Red Lion
- 13 Tivoli
- 14 Waterman
- 15 OTO

### Wales

- 16 The Pontcanna Inn
- 17 Chapel
- 18 Mumbles

### Exeter

- 19 Old Firehouse
- 20 Turks Head

### Hampshire

- 21 The Westgate
- 22 Alfie's Freehouse · Garden
- 23 London Rd Brew House
- 24 Inn on the Beach

### Norfolk

- 25 the georgian Townhouse
- 26 St. Andrews Brew House
- 27 H

### Oxford

- 28 George Street Social
- 29 St Aldates Tavern

### Reading

- 30 Market House

### London

- 31 The Althorp
- 32
- 33 Lighthouse
- 34 The Phene SW3
- 35 the Nell Gwynne

### London cont'd

- 36 Daly's Wine Bar & Dining Room*
- 37 Temple Brew House*
- 38 The Three Crowns
- 39
- 40 Cat + Mutton Est. 1729
- 41 Aragon House
- 42 The Belle Vue
- 43
- 44 The Travellers Friend
- 45 The Lost Hours
- 46 Yard
- 47 Pride Paddington
- 48 The Island
- 49 K·P·H

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

# Our strategy

**The Group expects to have 45 trading pubs (post Covid) 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 five 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.

5

### Investment into other EIS companies

The Group will look for opportunities to invest into EIS companies as it has done with Mosaic Pub and Dining Tranche 1 and with Barts Pub LTD.

## 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 27 December 2020, based on normalised trading levels. The Group intends to keep it around this level or lower.

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.

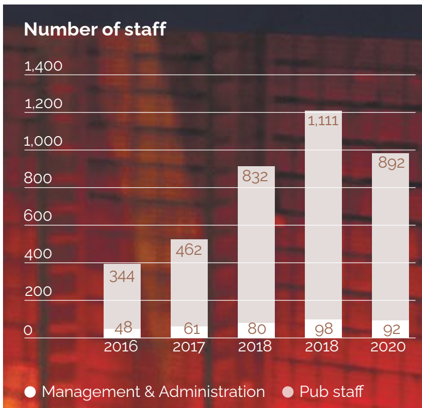
### People and culture

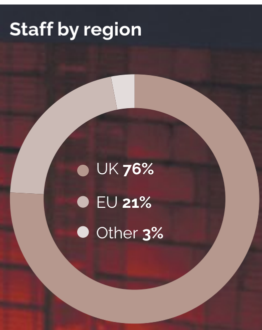
The Group's localised strategy requires The Group's localised strategy requires a certain standard and quality in its staff. The inherent ability to be engaging, intelligent and motivated are key attributes. The strategy to focus within Cathedral cities means finding the right type of staff should be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

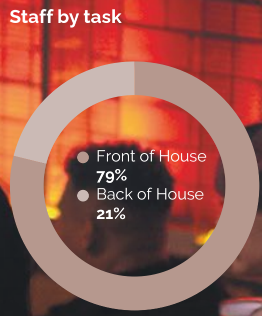
### Operation structure and staffing

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 pre-Covid 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.

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




### Staff training and incentives

**Training**

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

**Incentives**

The City Pub Group has developed a comprehensive incentives policy. Importantly, bonuses are based on both quantitative and qualitative targets that are paid out weekly, monthly, as well as annually.

**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 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.

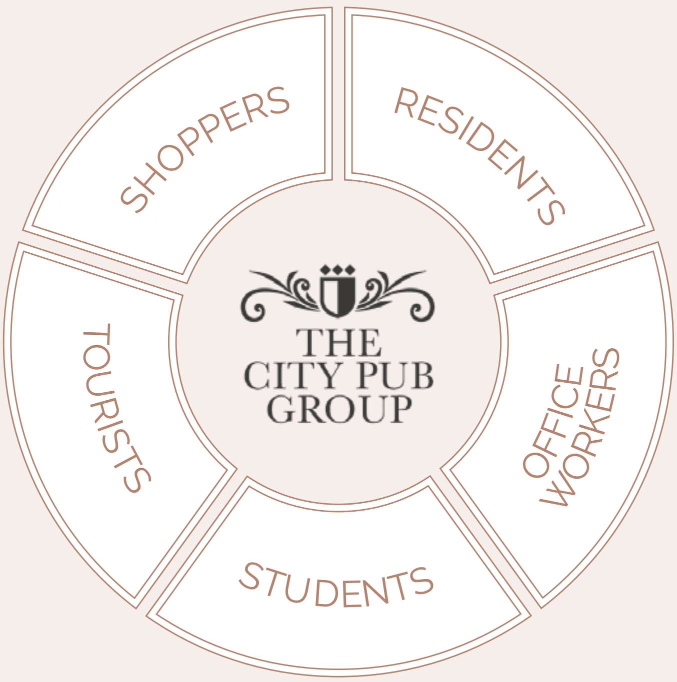
## Our suppliers

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. Due to Covid 19, we extended a number of these contracts and have agreed a new two year contract from January 2021 with one of the major suppliers.

The Group has centralised its food purchasing function and significantly reduced the number of its suppliers. This has resulted in an improvement in its purchasing terms and will enable greater economies of scale to be achieved as the pub estate grows.

**The Group has five key target markets:**




> **"There is an aim for the pub to become a central part of the local community by incorporating local suppliers, local staff and providing several reasons for people to visit**

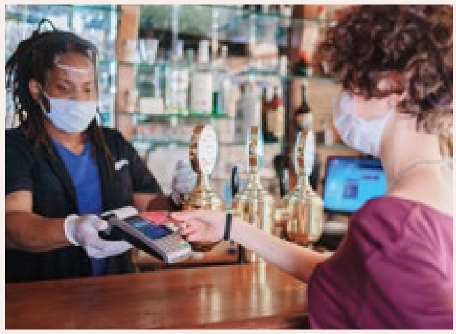
## Corporate social responsibility / ESG

# Together we can empower our people and protect our planet

**Our approach is localised, independent and responsible – adding value by being different and unique. Creating safe and supportive spaces for people and for the planet is central to this.**

**CLIVE WATSON**
Executive Chairman

We have established an ESG committee and together as a business, our aim is to empower our customers, benefit our people, enrich our local communities and protect our planet. The committee Chair is Emma Fox, Independent Non-Executive Director City Pub Company and Chief Executive Berry Bros & Rudd and includes Neil Griffiths, Independent Non-Executive Director of City Pub Company, former CEO of Punch Taverns Plc and Clive Watson, Co-Founder and Executive Chairman of City Pub Company. We also intend to hire a full time Executive to help progress our ESG framework and this Executive will sit on the ESG committee.



**Empower our customers**

We envision a world where our pubs are once again bringing people together in safe and supportive spaces so they can reconnect. We pride ourselves in creating inclusive environments whereby people from all walks of life enjoy their leisure time at our pubs and feel safe and supported. As part of this, we ensure all of our spaces have rooms that are adapted for people with disabilities.

As we start eating and drinking inside once again, we are prioritising Covid-19 management so that we can help keep our customers safe and healthy. More broadly, we put considerable efforts behind making sure our customers are well cared for and safe in our venues. Our staff are trained in safeguarding practices to ensure our customers' comfort and wellbeing. We also encourage responsible drinking practices across all our pubs, including training on serving alcohol responsibly and offering better availability of low and non-alcoholic drinks products.

# Corporate social responsibility / ESG cont'd

### Benefit our people

We seek to build a more diverse and inclusive workplace and provide flexible working arrangements to support our staff – whether this is to help facilitate family commitments or advance educational studies. We are also striving to create more diverse representation at board level. Currently we have employee representation at board level so improvements in staff welfare can be discussed.

We promote inclusive and fair renumeration and reward schemes across our pubs. Selected staff are awarded share options in the business after six months service by which time the company recognises the efforts of individuals to contribute to the overall success of the business.

More broadly, we encourage an atmosphere of constant learning and upskilling. Our model of nearby pubs creating local clusters gives staff learning opportunities through sharing knowledge and expertise. These local clusters help to foster our culture of collaboration and support across the group and internal promotion within clusters is encouraged so that employees have genuine career prospects.

### Enrich the local community

Lockdown has caused a shift to more localised living. City Pub Company is built on a firm belief in the importance of independence, and our focus has always been on creating the perfect experience for each local community we serve.

We have recently developed our City Club app which is an important way of communicating to our customers about local events in the surrounding communities. We seek to increase our role as a local community hub through the creation of our own events where lonely people are encouraged to attend and socialise with people from their community.

We realise the importance of Emergency Workers to our communities, and they are given 25% off food and drink at our venues as a sign of appreciation for their service to our communities.

We work with employees to identify partnership opportunities that benefit local communities. We are partnering with Foodcycle who will use our kitchens to provide cooked meals to those who need it most. Our Customers will be able to donate City Pub points to Foodcycle. We have also partnered with Something to Look Forward To, which offers restaurant meals to those going through cancer treatment and their families to bring a ray of normality to their lives.

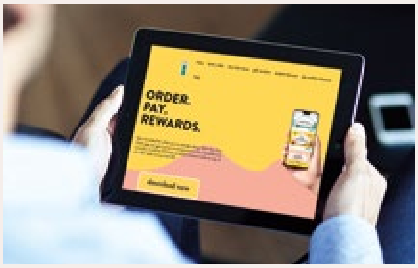
### Protect the planet

***1. Energy use and carbon footprint***

We have partnered with Energise Net Zero Carbon Consultancy to capture data on our energy use and carbon emissions to enable us to work towards establishing reduction targets that optimise our carbon footprint.

We are simultaneously engaging and auditing our suppliers' social and environmental credentials so that we can benchmark our collective performance and set collaborative targets. On suppliers, we have developed a centralised model that reduces the number of deliveries to our pubs, limiting carbon emissions and congestion. We also work with local suppliers to support the community, minimise travel time and emissions. This is the first reporting year under the Streamlined Energy and Carbon Reporting regulations and we have worked with Energise to produce our first report on the period 31/12/2019 – 27/12/20. The below data relates to emissions, broken down by Scope, the intensity ratio, the Notes, the Statement of Exclusions, and the Energy Efficiency Action taken.

Our methodology has been based on the principals of the Greenhouse Gas Protocol, taking account of the 2015 amendment which sets out a 'dual reporting' methodology for the reporting of Scope 2 emissions. In the 'Total Footprint' summary, purchased electricity is reported on a location based model. We have reported on all measured emissions sources required by The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations, except where stated.




***2. Reducing waste***

Through the City Pub app, customers can access menus online, thereby reducing waste. We are in the process of linking up with local independent businesses and B Corp partners through the app so that our customers can spend their points with more responsible businesses. We have partnered the B Corp company Toast Ale to produce beer at our Temple brewery with the use of bread destined for waste. We have also partnered with TooGoodToGo app to sell food destined to go to waste.


***3. Wider carbon reduction via plant-based foods***

We provide customers with opportunities to make better choices that benefit the planet. We have significantly increased the number of vegan and vegetarian options on the menu and we are working with HIT Training – the market leading expert training and apprenticeship provider for the UK's hospitality industry – to increase training of how to minimise negative environmental impact of our operations and of plant-based cookery among our apprentices.

| Emission Type | kWh | $CO_2$e tonnes (Location Based) |
|---|---|---|
| | Current Year (2020) | Current Year (2020) |
| **Total Scope 1** (Inclusion: Combustion) | 4,141,817 | 777.47 |
| **Total Scope 2** (Inclusion: Purchased Energy) | 4,105,241 | 957.10 |
| **Total Scope 3** (inclusion: Indirect Energy use) | 83,379 | 20.91 |
| **Total** | 8,330,436 | 1,755.47 |

### Greenhouse Gas Emissions Intensity Ratio:

| Total Footprint (Scope 1, Scope 2 and Scope 3) – $CO_2$e tonnes | Current Year (2020) |
|---|---|
| Turnover (£) | **25.7 m** |
| Intensity Ratio ($tCO_2e$/£100,000) | **6.83** |
| Employees | **984** |
| Intensity Ratio ($tCO_2e$/Employee) | **1.78** |

| Emission Type | $CO_2$e tonnes (Dual Reporting Methodology) | | |
|---|---|---|---|
| | Location Based | Market Based (Supplier Specific) | Var. % |
| **Total Scope 1** (Inclusion: Combustion) | 777.47 | 777.47 | 0% |
| **Total Scope 2** (Inclusion: Purchased Energy) | 957.10 | 907.78 | -5.15% |
| **Total Scope 3** (inclusion: Indirect Energy use) | 20.91 | 20.91 | 0% |
| **Total** | **1,755.47** | **1,706.16** | **-2.81%** |

# Business review

### Financial performance

| | 2020 | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Revenue £m** | **Operating loss £m** | **EBITDA £m** | **Loss before tax £m** | Revenue £m | Operating profit £m | EBITDA £m | Profit before tax £m |
| Reported | **25.8** | **(6.5)** | **(1.0)** | **(7.6)** | 60.0 | 2.5 | 5.9 | 2.2 |
| Share option charge | **–** | **0.4** | **0.4** | **0.4** | – | 0.3 | 0.3 | 0.3 |
| Exceptional items | **–** | **1.8** | **1.8** | **1.8** | – | 2.9 | 2.9 | 2.9 |
| Rounding | **–** | **–** | **–** | **–** | – | – | – | (0.1) |
| Adjusted | **25.8** | **(4.3)** | **1.2** | **(5.4)** | 60.0 | 5.7 | 9.1 | 5.3 |

### Financial position and performance
The results reported with the financial statements are for the 52 weeks ended 27 December 2020, compared with the 52 weeks ended 29 December 2019. All commentary is for the statutory periods, except for the like for like information.

The adoption of IFRS16 Leases has been reflected in the 52 weeks ended 27 December 2020 and as permitted by the standard, transitional provisions have been adopted which allow for no restatement of prior year figures.

The Group has a strong financial position as a cash generative business with a high quality, mainly freehold asset base. The bank debt at year end was £25m.

Due to the enforced closure of the pubs because of Covid-19, our revenue is some 57% down on the prior year. Our adjusted operating loss before separately disclosed exceptional items was £(4.3) million (2019: profit £5.7 million).

Adjusted EBITDA was reduced to £1.2 million due to the closure of the pubs (2019: £9.1 million).

### Finance costs
Net finance costs (pre IFRS16) before separately disclosed exceptional items were some £0.1 million higher than prior year at £0.4 million.

### Cash flow and net debt
The Group generated cash from operating activities of £1.3 million (2018: £6.4 million). In line with our acquisition strategy, we invested £2.3 million across a number of our sites and we invested some £1.3 million in investments, mainly the £1.2 million to acquire 14% of certain companies within the Mosaic Pub & Dining Group.

### Sources of finance
The Group have 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 £25 million of these facilities at the year end. Our undrawn committed facilities at 27 December 2020 were £10 million with a further £12 million of cash held on the statement of financial position at year end.

### Separately disclosed items
Separately disclosed exceptional items before tax of £1.8 million comprised £0.9 million impairment provision for a number of sites, £0.7 million of stock that has been written off due to the number of enforced closure due to Covid 19 and £0.2 million of other non-recurring costs. Before separately disclosed exceptional items and share option charge, adjusted profit / (loss) before tax was therefore £(5.4) million (2019: £5.3 million). Tax has been provided for at a rate of 19.0% (2019: 19.0%) on adjusted profit / (loss). A full analysis of the tax charge for the year is set out in note 7.

### IFRS 16 Accounting for Leases
The Group has adopted IFRS 16 Accounting for Leases for the year ending December 2020. As a result, operating lease expense has been replaced by depreciation and a finance charge. The net impact to adjusted profit is as expected a £0.3 million reduction to profit, as the increase to depreciation and finance costs is slightly larger than the reduction to lease operating costs. On adoption, both assets and liabilities increased by £21 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.

### 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.

We review our performance by looking at our current year actuals against both budget and prior year figures.

### Going concern statement
Please see the Directors report for the Going Concern statement.

On behalf of the Board

**Tarquin Williams**
Chief Financial Officer
10 May 2022

# 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.

As we emerge from the pandemic Environmental, Social and Governance (ESG) agenda has become increasingly important for all businesses. In response we have established an ESG committee, which will be chaired by Emma Fox our recently appointed NED. We have launched a significant and thorough review to ensure that we emerge as a more responsible business, primed to play a positive role in the industry's recovery. We are taking our responsibilities seriously, want to get it right as we understand that those that succeed in this area will have competitive advantage.

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

# 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 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. 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.
- Covid 19 – future pandemics.

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**<br>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.<br>• 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. | |

## Regulatory and compliance risks continued

| Description | Impact | Risk Mitigation & Monitoring | Change |
|---|---|---|---|
| **Health and Safety and Food Safety**<br>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.<br>• 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.<br>• We report and investigate all accidents and near misses and are looking to appoint dedicated safety champions throughout the business.<br>• In a number of Pubs, we have introduced automatic fire suppression systems in our kitchens to reduce fire risk.<br>• 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**<br>Coronavirus / Covid-19. Possible further waves. | The impact of the Coronavirus (COVID-19) has been to close all of our pubs from 20 March 2020 for more than three months followed by more enforced closures in November and then again in December 2020 through to April 2021. | • We looked at ways of reopening the pubs using social distancing to keep staff and customers safe.<br>• We purchased stocks of PPE and sanitisers to ensure that the sites were Covid safe and we could follow the Government guidelines and keep our staff and customers safe.<br>• We monitored whether a second wave of the virus could impact our sites and factored this into our continuity planning, i.e. keeping stocks low.<br>• Operational processes developed to react to any Covid-19 infections among our team members. | ◆ |
| 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. | |

# Principal risks and uncertainties cont'd

**Operational and people risks** continued

| Description | Impact | Risk Mitigation & Monitoring | Change |
|---|---|---|---|
| **Information Technology**<br>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.<br>• 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. | ▲ |
| 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.<br>• 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**<br>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.<br>• 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. | ▲ |
| There is a risk that recruitment will become increasingly competitive and that staffing shortages within the hospitality industry could drive wage inflation. | If we cannot recruit the best people, we risk falling levels of quality which could impact our reputation.<br><br>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.<br>• 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. | |

## Economic and market risks

| Description | Impact | Risk Mitigation & Monitoring | Change |
|---|---|---|---|
| **Economic Uncertainty and Cost Inflation**<br>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.<br>• We seek to maintain good relations with suppliers.<br>• Monthly reviews of Key Performance Indicators ("KPIs") indicate areas where costs could rise significantly. | ▲ |
| **Loss of Company Values or a Failure to Adhere to Them**<br>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.<br>• 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**<br>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.<br>• We gather consumer feedback through surveys, customer complaints and online and social media reviews.<br>• We analyse retail pricing and market share data to ensure we are competitive but still premium.<br>• The Board approves all significant new acquisition decisions and therefore controls key changes to the Group. | ◆ |

# Principal risks and uncertainties cont'd

### Financial risks

| Description | Impact | Risk Mitigation & Monitoring | Change |
|---|---|---|---|
| **Funding Requirements**<br>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 agreed a £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.<br>• We raised additional equity of £22m before costs from a placing and open offer in March 2020 to strengthen the balance sheet.<br>• We have agreed a new £5m CLBLS facility through Barclays to increase our liquidity until we are through the Covid pandemic. | ◆ |
| **Covenant Risks**<br>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.<br>• Barclays have agreed to waive the existing financial covenant tests until the end of June 2022.<br>• Barclays have agreed to replace the existing financial covenants with a Minimum Liquidity Test in the sum of £8m and a Minimum EBITDA Test up to June 2022, 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**<br>ESOS (Energy Savings Opportunity Scheme).<br>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.<br>• Advisor appointed to help with collecting of data and the reporting of our obligations. | ◆ |

On behalf of the Board

**Tarquin Williams**
Chief Financial Officer
10 May 2021

# Board of Directors

## Executive Directors

**Clive Watson ACA (60)**
**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 (49)**
**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.

**Toby Smith (50)**
**Chief Operating Officer**

Toby is a very experienced and senior operator with over 25 years' experience in UK hospitality. He has held CEO roles with Stonegate Pub Company, Novus Leisure and Town and City Pub Company. Prior to these, he also held senior roles at Laurel Pub Company, Spirit Group and Scottish and Newcastle Retail. Toby was appointed as Chief Operating Officer of the Company on 10 November 2020.

**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.

# Board of Directors cont'd

## Non-Executive Directors

### John Roberts (63)
**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.

### Neil Griffiths (59)
**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.

### Richard Prickett FCA (69)
**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, 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.

### Emma Fox (53)
**Independent Non-Executive Director**

Emma is an exceptionally experienced director with over 30 years of experience in the retail, leisure, and drinks sectors. Emma is currently CEO of Berry Bros & Rudd, the oldest wine and spirit merchant in the UK. She was appointed as CEO in 2020, having served an Independent Non-Executive Director since 2017, to help guide the business through its next phase of growth. Emma joined Berry Bros & Rudd from The Original Factory Shop where she also held the role of CEO.

Previously, Emma held several senior management and divisional board roles at large retailers including Commercial Director at Halfords, Chief Marketing Officer at Walmart Canada and Commercial and Logistics Director roles at ASDA. Emma also has extensive hospitality and leisure experience having worked with Hollywood Bowl as Marketing Director, Bass Brewers and as a Non-Executive Director at Punch Taverns Plc. Emma was appointed as a Non-Executive Director of the Company on 11 March 2021. Emma is chair of the ESG Committee and sits on the Remuneration Committee and the Nominations Committee.

## Company Secretary

### James Dudgeon (73)
**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 27 December 2020

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 eight Directors of which four are executives and four are non-executives, reflecting a blend of different experience and backgrounds. The Board considers Richard Prickett, Neil Griffiths and Emma Fox 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 25 and 26.

## 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 Audit and Risk Committee considered the proposed impairment of property, goodwill and right of use asset for the Annual Report. The Committee was satisfied with the approach presented by the management and the judgements made for those properties at risk of impairment.

The Committee considered the appropriateness of the going concern assessment and the associated judgements around material uncertainties. The Committee reviewed the scenarios and mitigation available to the Group and are satisfied the disclosures are appropriate.

The Group implemented IFRS16 Leases during the year using the modified retrospective method. The Committee reviewed a management paper and challenged the judgements and estimates that were used in the in calculations and they concluded that the adjustment were appropriate.

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, Emma Fox 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.

The Audit Committee have reviewed the independence and effectiveness of Haysmacintyre LLP, the Group's external auditor, and are satisfied in both respects. Haysmacintyre LLP have signified their willingness to continue in office and a resolution to reappoint Haysmacintyre LLP as auditor will be proposed at the AGM.

## 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.

| Attendance 2020 | Board | Audit | Remuneration | Nomination |
|---|---|---|---|---|
| **Director** | | | | |
| Clive Watson | 4 (4) | * | * | * |
| Alex Derrick[1] | 3 (3) | | | |
| Rupert Clark | 4 (4) | | | |
| Tarquin Williams | 4 (4) | * | | |
| Toby Smith[2] | 1 (1) | | | |
| Richard Prickett | 4 (4) | 4 (4) | 2 (2) | 1 (1) |
| Neil Griffiths | 4 (4) | 4 (4) | 2 (2) | 1 (1) |
| John Roberts | 4 (4) | 4 (4) | 2 (2) | 1 (1) |

* These Directors are not members of the Committees but are invited to attend meetings.

1. Alex Derrick resigned from the Board with effect from 10 November 2020.

2. Toby Smith was appointed to the Board with effect from 10 November 2020.

# Corporate Governance report cont'd

for the 52 week period ended 27 December 2020

The membership of the Remuneration Committee comprises Neil Griffiths, John Roberts, Emma Fox 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.

### ESG Committee

As we emerge from the pandemic Environmental, Social and Governance (ESG) agenda has become increasingly important for all businesses. In response we have established an ESG committee, which will be chaired by Emma Fox our recently appointed NED. We have launched a significant and thorough review to ensure that we emerge as a more responsible business, primed to play a positive role in the industry's recovery. We are taking our responsibilities seriously, want to get it right as we understand that those that succeed in this area will have competitive advantage.

### 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, Joint Shared Ownership Plan (JSOP) and Long Term Incentive Plan (LTIP). 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, JSOP and LTIPs over 6,980,000 Ordinary Shares representing 6.6 per cent of the Enlarged Share Capital. Taking this into account, an additional 3,107,193 Ordinary Shares remain available for reward under the various schemes 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 | | Taxable Benefits | | Pension/Other | | Compensation for loss of office | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2020 £000** | 2019 £000 | **2020 £000** | 2019 £000 | **2020 £000** | 2019 £000 | **2020 £000** | 2019 £000 | **2020 £000** | 2019 £000 |
| Clive Watson | **112** | 145 | **9** | 21 | **7** | 7 | **–** | – | **128** | 173 |
| Alex Derrick | **101** | 145 | **6** | 13 | **5** | 7 | **166** | – | **278** | 165 |
| Rupert Clark | **112** | 145 | **9** | 9 | **7** | 7 | **–** | – | **128** | 161 |
| Tarquin Williams | **104** | 130 | **2** | 2 | **2** | 6 | **–** | – | **108** | 138 |
| Toby Smith | **33** | – | **–** | – | **–** | – | **–** | – | **33** | – |
| Richard Prickett | **38** | 47 | **–** | – | **–** | – | **–** | – | **38** | 47 |
| John Roberts* | **26** | 33 | **–** | – | **26** | 50 | **–** | – | **52** | 83 |
| Neil Griffiths | **32** | 42 | **–** | – | **–** | – | **–** | – | **32** | 42 |
| **Total** | **558** | 687 | **26** | 45 | **47** | 77 | **166** | – | **797** | 809 |

* John Roberts provides brewery consultancy services to the Group in relation to our seven microbreweries. The fees for these consultancy services are included within the Other column.

### Directors interests

As at 27 December 2020 the Directors of the Company held the following number of shares:

The Directors share interest represents 4.5% of the ordinary shares in circulation.

| | **2020** | 2019 |
|---|---|---|
| Directors Share Interests | | |
| **Rupert Clark** | | |
| Ordinary 1p shares | **608,039** | 568,039 |
| **Neil Griffiths** | | |
| Ordinary 1p shares | **54,632** | 10,000 |
| **Richard Prickett** | | |
| Ordinary 1p shares | **74,130** | 59,562 |
| **John Roberts** | | |
| Ordinary 1p shares | **430,005** | 347,648 |
| **Clive Watson** | | |
| Ordinary 1p shares | **3,348,156** | 2,707,345 |
| **Tarquin Williams** | | |
| Ordinary 1p shares | **291,412** | 291,412 |

# Corporate Governance report cont'd

for the 52 week period ended 27 December 2020

## Director's Share Options

| Director | Scheme | As at 29 December 2019 | Exercised | Lapsed | Granted | As at 27 December 2020 | 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 |
| | LTIP | – | – | – | 200,000 | 200,000 | Nil | Jun-20 | May-23 | Jun-30 |
| **Total** | | 430,000 | – | – | 200,000 | 630,000 | | | | |
| **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 |
| | LTIP | – | – | – | 1,000,000 | 1,000,000 | Nil | Jun-20 | May-23 | Jun-30 |
| **Total** | | 445,000 | – | – | 1,000,000 | 1,445,000 | | | | |
| **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 |
| | LTIP | – | – | – | 400,000 | 400,000 | Nil | Jun-20 | May-23 | Jun-30 |
| **Total** | | 460,000 | – | – | 400,000 | 860,000 | | | | |
| **TOTAL** | | 1,335,000 | – | – | 1,600,000 | 2,935,000 | | | | |

### LTIP

The Company granted 2,100,000 nil cost options over ordinary shares of 1p each ("Ordinary Shares") to certain Directors and employees of the Company (the "Options") in June 2020.

The Options have been granted under the Company's Long Term Incentive Plan, are exercisable in 2023 following release of the Company's audited accounts for the year ended 25 December 2022, and are subject to performance conditions relating to the Company's profitability.

The LTIPs have a performance hurdles that need to be met in order for any vesting of the LTIPs. If the 2022 Group adjusted pre IFRS16 EBITDA is below £4m, there will be no pay out. A full award will be made if the Group's 2022 adjusted pre IFRS16 EBITDA is above £8m.

### Payments for Loss of Office

Following the termination of his employment on 10 November 2020, Alex Derrick received a lump sum payment of £166k for his salary in lieu of notice, less any deductions for tax and national insurance the Company was required to make.

The Corporate Governance Report was approved by the Board and signed on its behalf.

**Richard Prickett**
Independent Non-executive Director,
10 May 2021

# Directors' report

for the 52 week period ended 27 December 2020

The Directors present their Report and the consolidated financial statements of the Group for the 52 week period ended 27 December 2020.

## Results and dividends

The statement of comprehensive income is set out on page 37 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 – Resigned 10 November 2020
Tarquin Williams
John Roberts
Richard Prickett
Neil Griffiths
Toby Smith – Appointed 10 November 2020

## Going concern

The Group agreed a £35m revolving credit facility (RCF) with Barclays Bank plc in July 2019 with an accordion option of another £15m all on improved terms. This was initially a 3-year deal, but with the options to extend for two additional years, so 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 enabled the business to reduce its net debt by two thirds and as a result has significantly strengthened the Group's balance sheet. At this time Barclays agreed to replace The City Pub Group plc's RCF's existing financial covenants with a Minimum Liquidity Test in the sum of £8m up to 30 June 2021.

During 2020, we reduced Pub and head office costs to the minimum whilst the pubs were closed. Some 99% of staff have been furloughed on the governments Job Retention Scheme during certain times of the year. The Directors took a voluntary 50% pay cut from March 2020 until pubs reopened in July 2020 and other head office salaries were reduced. We applied for Grants where applicable. The Group negotiated settlement discounts from some larger suppliers during the first lockdown, but at the same time ensured that smaller suppliers are paid in full. We have been in negotiations with landlords with regards to rent holidays, rent deferrals and changes in terms of some leases. The Group pursued a claim under our insurance policies where the Company benefits from a loss of trade clause in the event of an outbreak of a notifiable disease. This claim was eventually successful and we received a pay-out of £1m relating to this claim post the year end.

Having successfully opened a large number of our sites through July and August 2020, it was very disappointing to be faced with another full closure for 4 weeks of November and then again in December for a full 4 months through to April 2021.

With the second and third lockdowns and the uncertainty about any further future lockdowns, we decided to access funds via the Government's Coronavirus Large Business Interruption Loan Scheme (CLBILS), via our bankers, Barclays. This was completed in March 2021 and we have an additional £5m of funding available to increase liquidity. Barclays again agreed to waive the RCF's existing financial covenants through to June 2022. They have been replaced with the same Minimum Liquidity Test in the sum of £8m plus an additional Minimum EBITDA Test to be tested on a monthly basis, after which date the financial covenant tests as currently documented will recommence. We have significant headroom between our forecasts and the requirements in the Minimum EBITDA Test.

When making our assessment of going concern, our assumptions have included a reopening of half of the pubs during April 2021 with external trading only followed by more pub openings at the end of May 2021 with restrictions being relaxed and trading allowed indoors, but still with social distancing measures in place. We have assumed that by 2022 trading gets back to pre Covid 19 levels.

Based on the current financial projections to the end of January 2023 and having considered the facilities available, together with potential sensitivities to changes in levels of trade (including further possible Covid 19 driven pub closures), the Board is confident that the Group have adequate resources to continue in operational existence for the foreseeable future, while also meeting its loan covenant requirements as they presently stand. For this reason, the Board consider it appropriate for the Group to adopt the going concern basis in preparing its financial statements.

Should there be further prolonged enforced periods of closure due to Covid that may cast doubt on the Company's ability to pass the new Minimum EBITDA Test, this gives rise to a possible material uncertainty that may cast significant doubt over the Group's ability to continue as a going concern.

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, decisive actions on cutting costs and the additional £5m CLBLS, 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 2023.

## 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.

# Directors' report cont'd

for the 52 week period ended 27 December 2020

### Market risk – cash flow interest rate risk

The Group had outstanding borrowing at year end of £25 million as disclosed in note 20. These were loans had been taken out with Barclays to facilitate the purchase of 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 27 December 2020 the Group had £25 million of borrowings, since the year end the Group has not drawn down on the revolving credit facility. 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

During the year we appointed new auditors, Haysmacintyre LLP, who have performed the 2020 audit and 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
10 May 2021

# Independent auditor's report

for the 52 week period ended 27 December 2020

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

### Opinion

We have audited the financial statements of The City Pub Group Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the 52 week period ended 27 December 2020 which comprise the Consolidated Statement of Comprehensive Income, Consolidated and Company Statements of Financial Position, 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.

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 27 December 2020 and of the group's loss for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

### Material uncertainty relating to going concern – Group and Parent Company

We draw attention to note 2.5 of the financial statements, which outlines uncertainty related to compliance with loan covenants associated with the Group's and Parent Company's Revolving Credit Facility in the event that future public health restrictions are imposed due to the Covid-19 pandemic.

The Directors' concluded it was appropriate to prepare the financial statements on a going concern basis as a result of their assessment, which included the preparation of cash flow projections running to January 2023. These projections are based on expected trading performance, including normalisation of trading conditions related to the Covid-19 pandemic.

As stated in note 2.5, the Directors' going concern assessment has projected compliance with minimum EBITDA and other loan covenants to the end of the waiver period in June 2022, while also noting that the Group and Parent Company has previously obtained loan covenant waivers or modifications when government imposed public health restrictions have disrupted trading activities. However, further waivers are not guaranteed.

At the date of approval of the financial statements, the timing, extent and duration of potential future public health restrictions are inherently uncertain and remain a severe but plausible downside scenario. The Directors' going concern assessment has noted that in the event of sufficiently severe public health restrictions, there is a risk that the Group's and Parent Company's EBITDA-derived loan covenant may be breached in the absence of a formal, binding commitment to waive or modify loan covenants from its lenders.

These events or conditions, along with other matters as set forth in note 2.5, indicate that a material uncertainty exists that may cast significant doubt on the Group and parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We agree that this conclusion is adequately disclosed in the Directors' Report and the accounting policies.

Our evaluation of the Directors' assessment of the Group and Parent Company's ability to continue to adopt the going concern basis of accounting included a consideration of the inherent risks to the Group's business model and how such risks may impact the ability to continue operations during the period covered by the Directors' going concern assessment, together with a review of the Group's cash flow forecasts and projected loan covenant compliance calculations.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### An overview of the scope of our audit

For the 52 week period ended 27 December 2020, the Group undertook all its trading activities through the Parent Company, with all its subsidiaries remaining dormant for the same period, retaining only residual assets and liabilities. The scope of our work was therefore the audit of the Parent Company and its subsidiaries. The scope of the audit and our audit strategy was developed by using our audit planning process to obtain and update our understanding of the Group, its activities, its internal control environment, and likely future developments. Our audit testing was informed by this understanding of the Group and accordingly was designed to focus on areas where we assessed there to be the most significant risks of material misstatement.

Audit work to respond to the assessed risks was performed directly by the audit engagement team who performed full scope audit procedures on the Parent Company and the Group as a whole.

# Independent auditor's report cont'd

for the 52 week period ended 27 December 2020

## 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) we identified, including those which 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. In addition to going concern, described in the material uncertainty related to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report.

| Key Audit Matter | How our scope addressed this matter |
|---|---|
| **Valuation of freehold and leasehold property**<br>For the period ended 27 December 2020, management assessed for indicators of impairment in each of the cash-generating units (CGU's) which is each of its operating sites. This included the allocation of goodwill and right of use asset values to freehold and leasehold property in full.<br><br>The process for measuring and recognising impairment under International Accounting Standard (IAS) 36 'Impairment of Assets' is complex and highly judgemental.<br><br>Significant management judgement and estimation uncertainty is involved in this area.<br><br>Given the value of the tangible fixed assets and the impact of trading restrictions due to Covid-19 we consider this to be a significant risk and a key audit matter. | Our audit work included, but was not restricted to the following:<br><br>• The assessment of Management's impairment review process and the consideration and challenge of Managements' assumptions.<br>• The review of each cash generating unit for indicators of impairment and assessment of whether all sites showing risk indicators were considered in the impairment assessment.<br>• The verification of the arithmetical accuracy and integrity of the value in use model prepared by Management.<br>• The review and assessment of cash flows as forecast by Management and as used in their calculations of the value in use of the assets.<br>• The assessment and challenge of assumptions used in the impairment calculation with reference to data such as historic results, market trends and future expectations.<br>• The assessment of the appropriateness of the growth and discount rates used by Management and the challenge of Management of those that fell outside of our expectations.<br>• The assessment of whether disclosures made in the financial statement relating to impairments are appropriate. |
| **First time adoption of IFRS 16**<br>IFRS 16 is applicable to financial statements with accounting period ends commencing on or after 1 January 2019 and requires lessees to account for leases 'on-balance sheet' by recognising a 'right-of-use' asset and a lease liability.<br><br>This is a complex accounting standard, requiring significant elements of judgement and applies to highly material areas of the financial statements. Also as a result of the first-time adoption there is increased complexity and a further increased risk of material misstatement.<br><br>We therefore identified the adoption of IFRS 16 as a significant risk, and a key audit matter. | Our audit work included, but was not restricted to:<br><br>• Reviewing Management's adoption and accounting for IFRS 16.<br>• The assessment of whether disclosures made in the financial statement relating to IFRS 16 are appropriate.<br>• Testing Management's model for the transition to IFRS 16 including, the consideration of the model used, the challenge of judgements and estimates applied in the calculations, the assessment of the incremental cost of borrowing rates applied and the practical expedients that were taken were in accordance with the accounting standard.<br>• Verifying the arithmetical accuracy and integrity of the transition model.<br>• Testing that key terms have been accurately extracted from the lease agreements and inputted into the model.<br>• The performance of procedures to assess completeness to consider whether all applicable leases have been appropriately identified. |

### Our application of materiality

The materiality for the Group financial statements as a whole was set at £280,000. This was determined as being 5% of draft operating loss before taxation. Operating loss before taxation has been selected as a benchmark because it is a Key Performance Indicator of the Group and stakeholders are principally interested in the underlying performance of the group.

We have determined Parent Company materiality to be the same level as the Group because it undertakes all the Group's trading activities following a hive up of activities from its subsidiaries during the 52 week period ended 29 December 2019.

On the basis of our risk assessment and review of the Group's control environment, performance materiality was set at 75% of materiality, being £210,000.

The reporting threshold to the audit committee was set as 5% of materiality, being £14,000. If, in our opinion in differences below this level warranted reporting on qualitative grounds, these would also be reported.

### Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

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

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

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the 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.

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

As explained more fully in the directors' responsibilities statement, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

### Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud.

Based on our understanding of the company and industry, we identified that the principal risks of noncompliance with laws and regulations related to regulatory requirements in respect of employment law, including but not limited to minimum wage regulation, foods standards requirements, and alcohol licencing.

# Independent auditor's report cont'd

for the 52 week period ended 27 December 2020

We considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006, income tax, payroll tax and sales tax.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate manual journal entries to revenue and the risk of management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management including consideration of known or suspected instances of noncompliance with laws and regulation and fraud;
- The evaluation of management's controls designed to prevent and detect irregularities;
- The identification and review of manual journals, in particular journal entries which shared key risk characteristics; and
- The review and challenge of assumptions, estimates and judgements made by management in their recognition of accounting estimates.

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

**Christopher Cork**
(Senior Statutory Auditor)
For and on behalf of Haysmacintyre LLP, Statutory Auditors

10 Queen Street Place
London
EC4R 1AG

10 May 2021

# Consolidated statement of comprehensive income

for the 52 week period ended 27 December 2020 (2019: for the 52 week period ended 29 December 2019)

| | Notes | 2020 £'000 | 2019 £'000 |
|---|---|---|---|
| **Revenue** | 4 | **25,815** | 60,028 |
| Cost of sales | | **(6,280)** | (15,165) |
| **Gross profit** | | **19,535** | 44,863 |
| Other operating income | 4a | **5,391** | – |
| Administrative expenses | | **(31,423)** | (42,339) |
| **Operating (loss)/profit** | 5 | **(6,497)** | 2,524 |
| **Reconciliation to adjusted EBITDA*** | | | |
| Operating (loss)/profit | | **(6,497)** | 2,524 |
| Depreciation | 5 | **5,494** | 3,407 |
| Share option charge | 27 | **397** | 274 |
| Exceptional items | 8 | **1,814** | 2,861 |
| * **Adjusted earnings before exceptional items, share option charge, interest, taxation and depreciation** | | **1,208** | 9,066 |
| Finance costs | 6 | **(1,137)** | (321) |
| **(Loss)/profit before tax** | | **(7,634)** | 2,203 |
| Tax credit/(expense) | 7 | **1,171** | (891) |
| **(Loss)/profit for the period and total comprehensive income** | | **(6,463)** | 1,312 |
| **Earnings per share** | | | |
| Basic earnings per share (p) | 10 | **(7.15)** | 2.20 |
| Diluted earnings per share (p) | 10 | **n/a** | 2.19 |

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 27 December 2020 (2019: as at 29 December 2019)

| | Notes | **2020 £'000** | 2019 £'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current** | | | |
| Intangible assets | 11 | **3,796** | 4,136 |
| Property, plant and equipment | 12 | **108,059** | 110,914 |
| Right-of-use assets | 13 | **19,565** | – |
| Deferred tax assets | 23 | **503** | – |
| Financial assets at fair value through OCI | 14 | **1,309** | – |
| **Total non-current assets** | | **133,232** | 115,050 |
| **Current** | | | |
| Inventories | 16 | **703** | 1,220 |
| Trade and other receivables | 17 | **3,064** | 3,406 |
| Cash and cash equivalents | | **12,331** | 2,769 |
| **Total current assets** | | **16,098** | 7,395 |
| **Total assets** | | **149,330** | 122,445 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 18 | **(8,430)** | (9,027) |
| Financial liabilities – lease liabilities | 13 | **(2,103)** | – |
| **Total current liabilities** | | **(10,533)** | (9,027) |
| **Non-current** | | | |
| Borrowings | 20 | **(24,801)** | (32,310) |
| Other payables | 19 | **–** | (50) |
| Financial liabilities – lease liabilities | 13 | **(17,750)** | |
| Deferred tax liabilities | 23 | **(2,181)** | (2,123) |
| **Total non-current liabilities** | | **(44,732)** | (34,483) |
| **Total liabilities** | | **(55,265)** | (43,510) |
| **Net assets** | | **94,065** | 78,935 |
| **Equity** | | | |
| Share capital | 24 | **31,275** | 30,812 |
| Share premium | 24 | **59,303** | 38,570 |
| Own shares (JSOP) | 24 | **(3,272)** | (3,272) |
| Other reserve | 24 | **92** | 92 |
| Share-based payment reserve | 24 | **1,374** | 977 |
| Retained earnings | 24 | **5,293** | 11,756 |
| **Total equity** | | **94,065** | 78,935 |

The notes form part of these accounts.

Approved by the Board and authorised for issue on 10 May 2021.

**Clive Watson**
Chairman

**Tarquin Williams**
Chief Financial Officer

Company No. 07814568

# Company statement of financial position

as at 27 December 2020 (2019: as at 29 December 2019)

| | Notes | 2020 £'000 | 2019 £'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current** | | | |
| Intangible assets | 11 | **3,796** | 4,136 |
| Property, plant and equipment | 12 | **108,059** | 110,914 |
| Right-of-use assets | 13 | **19,565** | – |
| Deferred tax assets | 23 | **503** | – |
| Financial assets at fair value through OCI | 14 | **1,309** | – |
| Investments in subsidiaries | 15 | **1,067** | 12,730 |
| **Total non-current assets** | | **134,299** | 127,780 |
| **Current** | | | |
| Inventories | 16 | **703** | 1,220 |
| Trade and other receivables | 17 | **3,064** | 3,406 |
| Cash and cash equivalents | | **12,331** | 2,769 |
| **Total current assets** | | **16,098** | 7,395 |
| **Total assets** | | **150,397** | 135,175 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 18 | **(9,497)** | (24,542) |
| Financial liabilities – lease liabilities | 13 | **(2,103)** | – |
| **Total current liabilities** | | **(11,600)** | (24,542) |
| **Non-current** | | | |
| Borrowings | 20 | **(24,801)** | (32,310) |
| Other payables | 19 | **–** | (50) |
| Financial liabilities – lease liabilities | 13 | **(17,750)** | |
| Deferred tax liabilities | 23 | **(2,181)** | (2,123) |
| **Total non-current liabilities** | | **(44,732)** | (34,483) |
| **Total liabilities** | | **(56,332)** | (59,025) |
| **Net assets** | | **94,065** | 76,150 |
| **Equity** | | | |
| Share capital | 24 | **31,275** | 30,812 |
| Share premium | 24 | **59,303** | 38,570 |
| Own shares (JSOP) | 24 | **(3,272)** | (3,272) |
| Share-based payment reserve | 24 | **1,374** | 977 |
| Retained earnings | 24 | **5,385** | 9,063 |
| **Total equity** | | **94,065** | 76,150 |

The loss for the financial period of the Parent Company, The City Pub Group plc was £3,678,000 (2019: profit £6,921,000). The notes form part of these accounts. Approved by the Board and authorised for issue on 10 May 2021.

**Clive Watson**
Chairman

**Tarquin Williams**
Chief Financial Officer

Company No. 07814568

# Consolidated statement of changes in equity

for the 52 week period ended 27 December 2020

| | Notes | Share capital | Share premium | Own shares (JSOP) | Other reserve | Share-based payment reserve | Retained earnings | Total |
|---|---|---|---|---|---|---|---|---|
| **Balance at 30 December 2018** | | 30,651 | 38,287 | (3,272) | 92 | 703 | 12,077 | 78,538 |
| Employee share-based compensation | 27 | – | – | – | – | 274 | – | 274 |
| Issue of new shares | 24 | 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 |
| Employee share-based compensation | 27 | – | – | – | – | 397 | – | 397 |
| Issue of new shares | 24 | 463 | 20,733 | – | – | – | – | 21,196 |
| **Transactions with owners** | | 463 | 20,733 | – | – | 397 | – | 21,593 |
| Loss for the period | | – | – | – | – | – | (6,463) | (6,463) |
| **Total comprehensive income for the period** | | – | – | – | – | – | (6,463) | (6,463) |
| **Balance at 27 December 2020** | | **31,275** | **59,303** | **(3,272)** | **92** | **1,374** | **5,293** | **94,065** |

The notes form part of these accounts.

# Company statement of changes in equity

for the 52 week period ended 27 December 2020

| | Notes | Share capital | Share premium | Own shares (JSOP) | Share-based payment reserve | Retained earnings | Total |
|---|---|---|---|---|---|---|---|
| **Balance at 30 December 2018** | | 30,651 | 38,287 | (3,272) | 575 | 3,903 | 70,144 |
| Employee share-based compensation | 27 | – | – | – | 274 | – | 274 |
| Issue of new shares | 24 | 161 | 283 | – | – | – | 444 |
| Transfer of share-based payment reserve on hive-up | 24 | – | – | – | 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 |
| Employee share-based compensation | 27 | – | – | – | 397 | – | 397 |
| Issue of new shares | 24 | 463 | 20,733 | – | – | – | 21,196 |
| **Transactions with owners** | | 463 | 20,733 | – | 397 | – | 21,593 |
| Loss for the period | | – | – | – | – | (3,678) | (3,678) |
| **Total comprehensive income for the period** | | – | – | – | – | (3,678) | (3,678) |
| **Balance at 27 December 2020** | | **31,275** | **59,303** | **(3,272)** | **1,374** | **5,385** | **94,065** |

The notes form part of these accounts.

# Consolidated statement of cash flows

for the 52 week period ended 27 December 2020 (2019: for the 52 week period ended 29 December 2019)

| | Notes | 2020 £'000 | 2019 £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **(Loss)/profit for the period** | | **(6,463)** | 1,312 |
| Taxation | 7 | **(1,171)** | 891 |
| Finance costs | 6 | **1,137** | 321 |
| **Operating (loss)/profit** | | **(6,497)** | 2,524 |
| Adjustments for: | | | |
| Depreciation | 5 | **5,494** | 3,407 |
| Gain on disposal of property, plant & equipment | | **–** | (1) |
| Share-based payment charge | 27 | **397** | 274 |
| Impairment | 12 | **933** | 1,914 |
| Change in inventories | | **517** | (260) |
| Change in trade and other receivables | | **1,055** | (778) |
| Change in trade and other payables | | **(258)** | (43) |
| Cash generated from operations | | **1,641** | 7,037 |
| Tax paid | | **(341)** | (601) |
| **Net cash from operating activities** | | **1,300** | 6,436 |
| | | | |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 12 | **(2,304)** | (14,949) |
| Acquisition of new property sites | | **–** | (10,532) |
| Purchase of investments | 14 | **(1,309)** | – |
| Proceeds from disposal of property, plant and equipment | | **821** | 50 |
| **Net cash used in investing activities** | | **(2,792)** | (25,431) |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of share capital | 24 | **21,196** | 218 |
| Repayment of borrowings | | **(7,544)** | – |
| Dividends paid | 9 | **–** | (1,406) |
| Principal element of lease payments | | **(1,347)** | – |
| Proceeds from new borrowings | 20 | **–** | 20,695 |
| Interest paid (includes implied interest under IFRS16) | 6 | **(1,251)** | (596) |
| **Net cash from financing activities** | | **11,054** | 18,911 |
| | | | |
| **Net change in cash and cash equivalents** | | **9,562** | (84) |
| Cash and cash equivalents at the start of the period | | **2,769** | 2,853 |
| **Cash and cash equivalents at the end of the period** | | **12,331** | 2,769 |

The notes form part of these accounts.

# Company statement of cash flows

for the 52 week period ended 27 December 2020 (2019: for the 52 week period ended 29 December 2019)

| | Notes | 2020<br>£'000 | 2019<br>£'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **(Loss)/profit for the period** | | **(3,678)** | 6,921 |
| Taxation | | **(1,171)** | 669 |
| Finance costs | | **1,137** | 231 |
| **Operating (loss)/profit** | | **(3,712)** | 7,821 |
| Adjustments for: | | | |
| Depreciation | 5 | **5,494** | 2,664 |
| Realised gain on final hive-up dividend | | **(2,785)** | – |
| Gain on disposal of property, plant and equipment | | **–** | (1) |
| Share-based payment charge | | **397** | 274 |
| Impairment | | **933** | 1,914 |
| Change in inventories | | **517** | (339) |
| Change in trade and other receivables | | **1,055** | (2,714) |
| Change in trade and other payables | | **(258)** | (948) |
| Cash generated from operations | | **1,641** | 8,671 |
| Tax paid | | **(341)** | (280) |
| **Net cash generated from in operating activities** | | **1,300** | 8,391 |
| | | | |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 12 | **(2,304)** | (7,415) |
| Acquisition of new property sites | | **–** | (10,532) |
| Purchase of investments | 14 | **(1,309)** | – |
| Proceeds from disposal of property, plant and equipment | 12 | **821** | 50 |
| Net cash hived up from other Group undertakings | | **–** | 1,473 |
| **Net cash used in investing activities** | | **(2,792)** | (16,424) |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of share capital | | **21,196** | 218 |
| Repayment of borrowings | | **(7,544)** | – |
| Dividends paid | | **–** | (1,406) |
| Principal element of lease payments | | **(1,347)** | – |
| Proceeds from new borrowings | | **–** | 10,195 |
| Interest paid | | **(1,251)** | (451) |
| **Net cash from financing activities** | | **11,054** | 8,556 |
| | | | |
| **Net change in cash and cash equivalents** | | **9,562** | 523 |
| Cash and cash equivalents at the start of the period | | **2,769** | 2,246 |
| **Cash and cash equivalents at the end of the period** | | **12,331** | 2,769 |

The notes form part of these accounts.

# Notes to the financial statements

for the 52 week period ended 27 December 2020 (2019: 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 27 December 2020 were authorised for issue in accordance with a resolution of the directors on 10 May 2021. 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 29.

**Exemption from audit**

For the period ended 27 December 2020 the subsidiaries are exempt from audit under section 480 of the Companies Act 2006.

## 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 applied for the first time in the current financial statements**

This note explains the impact of the adoption of IFRS 16 "Leases" on the Group's financial statements and discloses the new accounting policy adopted in relation to Government grants, which have been received for the first time as a result of COVID-19, that have been applied since 30 December 2019.

**IFRS 16, "Leases"**

This section explains the impact of the adoption of IFRS 16 "Leases" on the Group's financial statements.

The Group has adopted IFRS 16 "Leases" and has opted to adopt the standard using the modified retrospective approach as at 30 December 2019 and as a result has not restated comparative for the 2019 report period. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 30 December 2019. The new accounting policies are disclosed within the "Leases" policy below.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 30 December 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 30 December 2019 ranged from 3.0% to 3.7% depending on the length of the lease. There were no leases previously classified as finance leases and no onerous leases recognised.

*(i) Practical expedients applied*

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- excluding leases which are considered to be low value leases (<£3,000)
- accounting for operating leases with a remaining lease term of less than 12 months as at 30 December 2019 as short-term leases

The Group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

Following the publication on the amendment to IFRS 16 in relation to rent concessions, the Group has applied the practical expedient in all cases where relevant conditions were met. Changes in leases which do not fulfil the criteria of the practical expedient have been treated as additions or disposals in line with normal IFRS 16 accounting.

The treatment of rent concessions granted during the period was to recognise them immediately within the profit and loss.

*(ii) Measurement of lease liabilities*

| | **Group & Company 29 Dec 2019 £'000** |
|---|---|
| Operating lease commitments disclosed as at 29 December 2019 | 28,294 |
| | |
| Discounted using the lessee's incremental borrowing rate at the date of initial application | 22,021 |
| Less: discounted element on adoption | (979) |
| **Lease liability recognised as at 30 December 2019** | **21,042** |
| | |
| Of which are: | |
| Current lease liabilities | 2,083 |
| Non-current lease liabilities | 18,959 |
| | **21,042** |

*(iii) Measurement of right-of-use assets*
The associated right-of-use assets were measured on a retrospective basis as if the new rules had always been applied. The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 29 December 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

*(iv) Adjustments recognised in the statement of financial position on 30 December 2019*
The change in accounting policy affected the following items in the Group and Company balance sheets on 30 December 2019:

- Right-of-use assets – increased by £21,042,000; and
- Lease liabilities – increased by £21,042,000.

The net impact on retained earnings on 30 December 2019 was £nil (Parent Company: £nil).

**Government Grants**
The Group has received Government grants for the first time during the period ended 27 December 2020, mainly in relation to the Coronavirus Job Retention Scheme (CJRS) provided by the Government in response to COVID-19's impact on our business. The Group has elected to account for these grants as other operating income, rather than to off-set the Government grants within administrative expenses, so that the gross impact is disclosed on the face of the Statement of Comprehensive Income.

Total Government grants included as other operating income total £5,391,000 (2019: £nil).

**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.

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
- IFRS 3 Business Combinations (Amendment – Definition of Business)
- Revised Conceptual Framework for Financial Reporting

The Directors are currently evaluating the impact of the adoption of all other standards, amendments and interpretations but do not expect them to have a material impact on the Group operation or results.

# Notes to the financial statements

for the 52 week period ended 27 December 2020 (2019: 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**

The Group agreed a £35m revolving credit facility (RCF) with Barclays Bank plc in July 2019 with an accordion option of another £15m all on improved terms. This was initially a 3-year deal, but with the options to extend for two additional years, so 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 enabled the business to reduce its net debt by two thirds and as a result has significantly strengthened the Group's balance sheet. At this time Barclays agreed to replace The City Pub Group plc's RCF's existing financial covenants with a Minimum Liquidity Test in the sum of £8m up to 30 June 2021.

During 2020, we reduced Pub and head office costs to the minimum whilst the pubs were closed. Some 99% of staff have been furloughed on the governments Job Retention Scheme during certain times of the year. The Directors took a voluntary 50% pay cut from March 2020 until pubs reopened in July 2020 and other head office salaries were reduced. We applied for Grants where applicable. The Group negotiated settlement discounts from some larger suppliers during the first lockdown, but at the same time ensured that smaller suppliers are paid in full. We have been in negotiations with landlords with regards to rent holidays, rent deferrals and changes in terms of some leases. The Group pursued a claim under our insurance policies where the Company benefits from a loss of trade clause in the event of an outbreak of a notifiable disease. This claim was eventually successful and we received a pay-out of £1m relating to this claim post the year end.

Having successfully opened a large number of our sites through July and August 2020, it was very disappointing to be faced with another full closure for 4 weeks of November and then again in December for a full 4 months through to April 2021.

With the second and third lockdowns and the uncertainty about any further future lockdowns, we decided to access funds via the Government's Coronavirus Large Business Interruption Loan Scheme (CLBILS), via our bankers, Barclays. This was completed in March 2021 and we have an additional £5m of funding available to increase liquidity. Barclays again agreed to waive the RCF's existing financial covenants through to June 2022. They have been replaced with the same Minimum Liquidity Test in the sum of £8m plus an additional Minimum EBITDA Test to be tested on a monthly basis, after which date the financial covenant tests as currently documented will recommence. We have significant headroom between our forecasts and the requirements in the Minimum EBITDA Test.

When making our assessment of going concern, our assumptions have included a reopening of half of the pubs during April 2021 with external trading only followed by more pub openings at the end of May 2021 with restrictions being relaxed and trading allowed indoors, but still with social distancing measures in place. We have assumed that by 2022 trading gets back to pre Covid 19 levels.

Based on the current financial projections to the end of January 2023 and having considered the facilities available, together with potential sensitivities to changes in levels of trade (including further possible Covid 19 driven pub closures), the Board is confident that the Group have adequate resources to continue in operational existence for the foreseeable future, while also meeting its loan covenant requirements as they presently stand. For this reason, the Board consider it appropriate for the Group to adopt the going concern basis in preparing its financial statements.

Should there be further prolonged enforced periods of closure due to Covid that may cast doubt on the Company's ability to pass the new Minimum EBITDA Test, this gives rise to a possible material uncertainty that may cast significant doubt over the Group's ability to continue as a going concern.

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, decisive actions on cutting costs and the additional £5m CLBLS, 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 2023.

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

for the 52 week period ended 27 December 2020 (2019: 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 21. 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) 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.

*Financial assets at fair value through other comprehensive income (FVOCI)*

The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is "hold to collect" the associated cash flows and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group has opted to classify financial assets which are investments in equity instruments as financial assets at fair value through other comprehensive income.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon derecognition of the asset.

**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 21.

**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 24, 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

for the 52 week period ended 27 December 2020 (2019: 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 **Leases**

As described in the "New and Revised Standards" section above, the Group has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means that comparative information is still reported under IAS 17 and IFRIC 4.

***Accounting policy applicable from 30 December 2019***

For any new contracts entered into on or after 30 December 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

*Measurement and recognition of leases as a lessee*

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available. If that rate cannot be readily determined, which is generally the case for leases in the Group, the Group's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Where the Group is exposed to potential future increases in variable lease payments based on an index or rate, these are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Subsequent to initial measurement, lease payments are allocated between principal, which reduces the liability, and finance cost. The finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

# Notes to the financial statements

for the 52 week period ended 27 December 2020 (2019: for the 52 week period ended 29 December 2019)

## 2 Significant accounting policies continued

### 2.18 Leases continued

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The Group also assesses the right-of-use asset for impairment when such indicators exist.

The Group has elected to account for short-term leases and leases of low value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

The right-of-use assets and lease liabilities have been disclosed separately on the face of the Statement of Financial Position, within Non-current assets and across Current & Non-current liabilities respectively.

***Accounting policy applicable before 30 December 2019***

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.

### 2.21 Government grants

The Group has received Government grants for the first time during the period ended 27 December 2020, mainly in relation to the Coronavirus Job Retention Scheme provided by the Government in response to COVID-19's impact on our business. The Group has elected to account for these grants as other operating income, rather than to off-set the Government grants within administrative expenses, so that the gross impact is disclosed on the face of the Statement of Comprehensive Income.

### 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 15.

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, choosing a suitable discount rate and growth rate. Full details are supplied in note 11, together with an analysis of the key assumptions.

The determination of any impairment of property, plant & equipment (including the right of use assets) also requires estimation of fair value and value in use. As with goodwill, this requires estimation of future cash flows and selection of a suitable discount rate, together with assessment of the market values of properties (if applicable). Goodwill was allocated to the carrying value of property, plant & equipment for the purposes of the impairment review, with further details around key assumptions provided in note 11 (such assumptions are also relevant to the carrying value of property, plant & equipment are detailed in note 12).

The calculation of lease liabilities requires the Group to determine an incremental borrowing rate ("IBR") to discount future minimum lease payments. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Group has made estimates as to the volatility of its own shares, the probable life of options granted and the time of exercise of those options. Expectations around employee retention and meeting of performance criteria have also been considered. The model used by the Group is the Black-Scholes valuation model and the inputs are detailed in note 27.

The assessment of the probability of future taxable profits on which deferred tax assets can be utilised is based on the Group's latest approved budget forecasts, which is adjustment for significant non-taxable income and expenditure. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilised without a time limit, that deferred tax asset is usually recognised in respect of the period for which future profits can be confidently foreseen.

The estimation of the recoverable value of net realisable value of inventory (and therefore any corresponding provision) is estimated based expectations as at 27 December 2020 around the timing of the recommencement of trade and which inventory will remain usable on this date and the extent to which it is expected to be fully realised through sale.

# Notes to the financial statements

for the 52 week period ended 27 December 2020 (2019: 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.

| | **2020 £'000** | 2019 £'000 |
|---|---|---|
| Revenue | **25,815** | 60,028 |
| Cost of sales | **(6,280)** | (15,165) |
| **Gross profit** | **19,535** | 44,863 |
| Other operating income (note 4(a)) | **5,391** | |
| Operating expenses: | | |
| • Operating expenses before adjusting items | **(23,718)** | (35,663) |
| Adjusted EBITDA | **1,208** | 9,066 |
| • Depreciation | **5,494** | 3,407 |
| • Share option charge | **397** | 274 |
| • Exceptional items | **1,814** | 2,861 |
| **Total operating expenses** | **(31,423)** | (42,339) |
| **Operating (loss)/profit** | **(6,497)** | 2,524 |

### (a) Other operating income

During 2020 the Group has received Government grants for the first time, mainly in relation to the Furlough Scheme provided by the Government in response to COVID-19's impact on our business. Further analysis of other operating income is set out below.

| | **2020 £'000** | 2019 £'000 |
|---|---|---|
| Coronavirus Job Retention Scheme | **5,141** | – |
| Other government grants | **250** | – |
| **Total other operating income** | **5,391** | – |

## 5 (Loss)/profit on ordinary activities before taxation

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

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Costs of inventories recognised as an expense | **6,376** | 15,632 |
| Staff costs (note 25) | **17,133** | 22,363 |
| Depreciation | **5,494** | 3,407 |
| Fees payable to the company's auditor for the audit of the company's financial statements | **60** | 67 |
| Fees payable to the company's auditor for the audit of the group financial statements | **–** | 11 |
| Fees payable to the company's auditor for tax compliance | **–** | 9 |
| Fees payable to the company's auditor for tax advisory services | **–** | 24 |
| Exceptional costs (note 8) | **1,814** | 2,861 |
| Operating leases – land and buildings* | **(351)** | 2,056 |

* The Group has adopted IFRS 16 in the year ended 27 December 2020 and the disclosure of leases has changed accordingly, see Accounting Policies and Note 13 for further information. Rent concessions relating to COVID19 of £450,000 have been recognised within this balance for 2020.

## 6 Interest payable and similar charges

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| On bank loans and overdrafts | **551** | 596 |
| Interest and finance charges for lease liabilities | **699** | – |
| Interest expense capitalised within property, plant & equipment | **(113)** | (275) |
| Total finance cost | **1,137** | 321 |

During the period £113,000 of interest was capitalised (2019: £275,000).

# Notes to the financial statements

for the 52 week period ended 27 December 2020 (2019: for the 52 week period ended 29 December 2019)

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

### (a) Analysis of tax charge for the period

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

| | **2020 £'000** | 2019 £'000 |
|---|---|---|
| Current income tax: | | |
| Current income tax charge | **(572)** | 608 |
| Adjustments in respect of previous period | **(154)** | 40 |
| Total current income tax | **(726)** | 648 |
| **Deferred tax:** | | |
| Origination and reversal of temporary differences (note 23) | **(445)** | 243 |
| Adjustments in respect of deferred tax of previous period | **–** | – |
| Total deferred tax | **(445)** | 243 |
| Total tax | **(1,171)** | 891 |

### (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% (2019: 19.00%). The differences are explained as follows:

| | **2020 £'000** | 2019 £'000 |
|---|---|---|
| (Loss)/profit on ordinary activities before tax | **(7,634)** | 2,203 |
| (Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 19.00% (2019: 19.00%) | **(1,450)** | 419 |
| Effect of: | | |
| Fixed asset differences | **446** | 415 |
| Items not deductible for tax purposes | **(5)** | 61 |
| Adjustment in respect of previous periods | **(154)** | 40 |
| Share options tax deduction | **(8)** | (44) |
| **Total tax (credit)/charge** | **(1,171)** | 891 |

The deferred tax asset included in the balance sheet of £503,000 (2019: £nil) relates principally to the carry forward of tax losses. The Directors have recognised a deferred tax asset in respect of carried forward trading tax losses as, based on current estimates, the Group is forecast to make sufficient trading profit over the next 3 years, against which these losses can be offset.

## 8 Exceptional items

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Pre opening costs | **14** | 777 |
| Impairment of pub sites | **933** | 1,914 |
| Inventory impairments | **662** | – |
| Other non recurring items | **205** | 170 |
| | **1,814** | 2,861 |

Exceptional items for both financial years presented are included within administrative expenditure in the Statement of Comprehensive Income.

## 9 Dividends

**Dividends paid during the reporting period**
The Board did not declare a dividend due the Covid pandemic (2019: 2.75p per share)

**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 (2019: nil).

## 10 (Loss)/earnings per share

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| (Loss)/earnings for the period attributable to Shareholders | **(6,463)** | 1,312 |
| **(Loss)/earnings per share:** | | |
| Basic (loss)/earnings per share (p) | **(7.15)** | 2.20 |
| Diluted earnings per share (p) | **n/a** | 2.19 |

| **Weighted average number of shares:** | **Number of shares** | Number of shares |
|---|---|---|
| Weighted average shares for basic EPS | **90,451,692** | 59,523,815 |
| Effect of share options in issue | **n/a** | 456,481 |
| **Weighted average shares for diluted earnings per share** | **n/a** | 59,980,296 |

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.

For the 52 week period ended 27 December 2020, the Group recorded a loss. As a result, share options in issue for this period are considered to be antidliutive and therefore no diluted loss per share has been presented.

# Notes to the financial statements

for the 52 week period ended 27 December 2020 (2019: for the 52 week period ended 29 December 2019)

## 11 Goodwill

| | **Group 2020 £'000** | Group 2019 £'000 | **Company 2020 £'000** | Company 2019 £'000 |
|---|---|---|---|---|
| Cost brought forward | **4,196** | 3,854 | **4,196** | 2,021 |
| Additions | **–** | 343 | **–** | 343 |
| Disposal | **–** | (1) | **–** | – |
| Transfer of business – hive up | **–** | – | **–** | 1,832 |
| At end of period | **4,196** | 4,196 | **4,196** | 4,196 |
| **Amortisation/impairment brought forward** | **(60)** | (60) | **(60)** | (60) |
| Provided during the period | **(340)** | – | **(340)** | – |
| At end of period | **(400)** | (60) | **(400)** | (60) |
| **Net book value at end of period** | **3,796** | 4,136 | **3,796** | 4,136 |
| Net book value at start of period | **4,136** | 3,794 | **4,136** | 1,961 |

The carrying value of goodwill included within the Group and Company statement of financial position is £3,796,000 (2019: £4,136,000), which is allocated to the cash-generating unit ("CGU") of groupings of public houses as follows:

| | **Group 2020 £'000** | Group 2019 £'000 | **Company 2020 £'000** | Company 2019 £'000 |
|---|---|---|---|---|
| Freehold | **2,396** | 2,396 | **2,396** | 2,396 |
| Leasehold | **1,400** | 1,740 | **1,400** | 1,740 |
| | **3,796** | 4,136 | **3,796** | 4,136 |

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. During the period ended 27 December 2020 an impairment has been made against two sites, as described further in note 12.

The fair value less costs to sell is calculated based on the market value of the associated property.

For the 52 week period ended 27 December 2020, the cash-generating unit recoverable amount was determined based on value-in-use calculations, using cash flow projections based on one year budgets, (modified as appropriate for the impact of Covid-19 and the expected return to normal trading conditions), 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 9%. 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 and trading following the re-opening of sites during 2021.

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 and uncertainty of future cash flows related to Covid-19.

Lowering the discount rate by 1% from 9% to 8% would have the effect of reducing the impairment charge by some £303k to £630k. An increase in the discount rate to 10% would result in the impairment charge increasing by £282k to £1,215k.

Lowering the long term growth rate used from 2% to 1% would result in an increase in the impairment charge of £214k to £1,147k. A higher growth rate of 3% would result in the impairment charge reducing by £225k to £708k.

The assumptions and outlined changes in impairment charge noted in the above sensitivities are relevant to the combined carrying value of goodwill and property plant & equipment, and are stated before any allocation between the two asset classes.

## 12 Property, plant and equipment

| Group | Freehold & leasehold property £'000 | Fixtures, fittings and computers £'000 | Total £'000 |
|---|---|---|---|
| **Cost** | | | |
| **At 30 December 2018** | 78,687 | 21,785 | 100,472 |
| Additions | 8,377 | 6,998 | 15,375 |
| Acquisitions | 10,319 | 638 | 10,957 |
| Disposals | (91) | (64) | (155) |
| **At 29 December 2019** | **97,292** | **29,357** | **126,649** |
| Additions | 311 | 2,107 | 2,418 |
| Disposals | (821) | – | (821) |
| **At 27 December 2020** | **96,782** | **31,464** | **128,246** |
| | | | |
| **Depreciation** | | | |
| **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** |
| Provided during the period | 747 | 3,112 | 3,859 |
| Impairment | – | 593 | 593 |
| **At 27 December 2020** | **5,374** | **14,813** | **20,187** |
| | | | |
| **Net book value** | | | |
| **At 27 December 2020** | **91,408** | **16,651** | **108,059** |
| At 29 December 2019 | 92,665 | 18,249 | 110,914 |
| At 30 December 2018 | 76,486 | 13,534 | 90,020 |

During the period ended 27 December 2020 the group has made a provision for impairment against a number of sites totalling £933,000, split £340,000 against goodwill and £593,000 against fixtures and fittings. . The assumptions and sensitivities relating to the Group's impairment review laid out in note 11 are also relevant to this note.

During the period ended 29 December 2019 the group made a provision for impairment against a number of sites totalling £1,914,000.

During the period ended 27 December 2020 the group capitalised £113,000 (2019: £275,000) of interest within the Freehold & Leasehold property asset.

# Notes to the financial statements

for the 52 week period ended 27 December 2020 (2019: for the 52 week period ended 29 December 2019)

## 12 Property, plant and equipment continued

| Company | Freehold & leasehold property £'000 | Fixtures, fittings and computers £'000 | Total £'000 |
|---|---|---|---|
| **Cost** | | | |
| **At 30 December 2018** | 39,726 | 12,957 | 52,683 |
| Additions | 2,898 | 4,887 | 7,785 |
| Acquisitions | 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** |
| Additions | 311 | 2,107 | 2,418 |
| Disposals | (821) | – | (821) |
| **At 27 December 2020** | **96,782** | **31,464** | **128,246** |
| | | | |
| **Depreciation** | | | |
| **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** |
| Provided during the period | 747 | 3,112 | 3,859 |
| Impairment | – | 593 | 593 |
| **At 27 December 2020** | **5,374** | **14,813** | **20,187** |
| | | | |
| **Net book value** | | | |
| **At 27 December 2020** | **91,408** | **16,651** | **108,059** |
| At 29 December 2019 | 92,665 | 18,249 | 110,914 |
| At 30 December 2018 | 38,394 | 7,994 | 46,388 |

## 13 Leases

**Group and Company**

This note provides information for leases where the Group is a lessee. The Group enters into property leases for certain of its pub sites. The lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

**(i) amounts recognised in the consolidated statement of financial position**

The consolidated statement of financial position shows the following amounts relating to leases:

| Group and Company | 27 December 2020 £'000 |
|---|---|
| **Right-of-use assets** | |
| On adoption | **21,042** |
| Addition | **158** |
| Depreciation | **(1,635)** |
| **Total** | **19,565** |
| | |
| **Lease liabilities** | |
| Current | **2,103** |
| Non-current | **17,750** |
| Total | **19,853** |

Additions to the right-of-use assets during the 2020 financial year were £158,000. Following the publication on the amendment to IFRS 16 in relation to rent concessions, the Group has applied the practical expedient in all cases where relevant conditions were met. These concessions totalled a credit to the income statement for the period of £450,000. Changes in leases which do not fulfil the criteria of the practical expedient have been treated as additions or disposals in line with normal IFRS 16 accounting.

**(ii) amounts recognised in the consolidated statement of comprehensive income**

The consolidated statement of comprehensive income shows the following amounts relating to leases:

| Group and Company | 27 December 2020 £'000 | 29 December 2019 £'000 |
|---|---|---|
| **Depreciation charge** | | |
| Leasehold Properties | **1,635** | – |
| | | |
| Interest expense (included in finance cost) | **699** | – |
| Expense relating to short-term leases (included in operating expenses) | **99** | – |
| Expenses relating to low value assets that are not shown above as short-term leases (included in operating expenses | **–** | – |

The total cash outflow for leases in 2020 was £2,046,000.

# Notes to the financial statements

for the 52 week period ended 27 December 2020 (2019: for the 52 week period ended 29 December 2019)

## 14 Financial assets at fair value through Other Comprehensive income

| Group and Company | 2020 £'000 | 2019 £'000 |
|---|---|---|
| At start of period | – | – |
| Additions | 1,309 | – |
| Revaluations | – | – |
| At end of period | 1,309 | – |

During the year the Group acquired a 14% stake in certain companies within the Mosaic Pub and Dining Group through a subscription of new shares issued in connection with a fundraising by The Galaxy (City) Pub Company Limited, The Pioneer (City) Pub Company Limited and The Sovereign (City) Pub Company Limited (the "Companies") for total cash consideration of approximately £1.2 million.

The Companies own and operate 9 pubs which are in prime locations and benefit from strong asset backing, with 7 freehold and 2 leasehold sites.

The Companies are part of the wider Mosaic Pub and Dining Group ("Mosaic"), which own 26 pubs across England. Mosaic has a similar ethos and model to the City Pub Group, with each pub having its own identity and talented and passionate staff who deliver a high-quality experience. Investing in Mosaic furthers the City Pubs Group's existing relationship with Mosaic who already negotiate their largest supply deals together to get the best terms and extends and strengthens the geographical area to which we have exposure. With a stronger balance sheet Mosaic will be able to focus on building shareholder value which will be beneficial to both parties.

Clive Watson is an investment consultant to Mosaic. Richard Prickett, Non-Executive Director of the City Pub Group, is a Non-Executive Director of The Pioneer (City) Pub Company Limited.

## 15 Investments in subsidiaries

| Company | 2020 £'000 | 2019 £'000 |
|---|---|---|
| At start of period | 12,730 | 12,063 |
| Additions | – | 407 |
| Transferred on hive up of business | – | 263 |
| Disposal on liquidation of subsidiaries | – | (3) |
| Write-down of investment | (11,663) | – |
| At end of period | 1,067 | 12,730 |

During the prior 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. In the current year there was final dividend from The City Pub Company (West) Limited, which eliminated the amounts due to group undertakings balance (note 16) and resulted in a write down of the investments carrying value of £11,663,000.

The Company had the following subsidiary undertakings as at 27 December 2020:

| 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% | Dormant |
| 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.

## 16 Inventories

| | Group 2020 £'000 | Group 2019 £'000 | Company 2020 £'000 | Company 2019 £'000 |
|---|---|---|---|---|
| Finished goods and goods for resale | **703** | 1,220 | **703** | 1,220 |

During the year ended 27 December 2020 the Group (and Company) had to write off £662,000 (2019: £nil) of inventory due to the impact of the COVID-19 lockdowns in England, which has been recognised within the other non-recurring items line as part of the exceptional items in note 8.

## 17 Trade and other receivables

| | Group 2020 £'000 | Group 2019 £'000 | Company 2020 £'000 | Company 2019 £'000 |
|---|---|---|---|---|
| Trade receivables | **235** | 462 | **235** | 462 |
| Government grant receivables | **379** | – | **379** | – |
| Corporation tax receivables | **774** | – | **774** | – |
| Other receivables | **664** | 1,218 | **664** | 1,218 |
| Prepayments and accrued income | **1,012** | 1,726 | **1,012** | 1,726 |
| | **3,064** | 3,406 | **3,064** | 3,406 |

Rent deposits are included within other receivables, greater than one year. They are at £358k (2019: £358k).

## 18 Current trade and other payables

| | Group 2020 £'000 | Group 2019 £'000 | Company 2020 £'000 | Company 2019 £'000 |
|---|---|---|---|---|
| Trade payables | **2,641** | 3,392 | **2,641** | 3,392 |
| Corporation taxation | **–** | 300 | **–** | 300 |
| Other taxation and social security | **2,828** | 2,406 | **2,828** | 2,406 |
| Amounts due to group undertakings | **–** | – | **1,067** | 15,515 |
| Accruals | **2,190** | 1,488 | **2,190** | 1,488 |
| Other payables | **771** | 1,441 | **771** | 1,441 |
| | **8,430** | 9,027 | **9,497** | 24,542 |

Included within Other taxation and social security is £80k is due to be repaid greater than one year.

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## 19 Non-current other payables

| | Group 2020 £'000 | Group 2019 £'000 | Company 2020 £'000 | Company 2019 £'000 |
|---|---|---|---|---|
| Deferred consideration | – | 50 | – | 50 |

In the prior year, deferred consideration arose in relation to the acquisition of both The Hoste and The Pride of Paddington, 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. There is £375,000 of deferred consideration balance due in one year within other payables as at 27 December 2020.

## 20 Borrowings and lease liabilities

| | Group 2020 £'000 | Group 2019 £'000 | Company 2020 £'000 | Company 2019 £'000 |
|---|---|---|---|---|
| **Current borrowings and financial liabilities:** | | | | |
| Lease liabilities | **2,103** | – | **2,103** | – |
| **Non-current borrowings and financial liabilities:** | | | | |
| Bank loans | **24,801** | 32,310 | **24,801** | 32,310 |
| Lease liabilities | **17,750** | – | **17,750** | – |
| | **42,551** | 32,310 | **42,551** | 32,310 |

At 27 December 2020 a revolving credit facility of £25,000,000 (2019: £32,500,000) 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 to July 2024.

**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 30 December 2019 | 32,310 | – | 32,310 |
| **Cash flows:** | | | |
| Repayment | (7,500) | – | (7,500) |
| **Non-cash items:** | | | |
| Amortisation of loan arrangement fees | (9) | – | (9) |
| At 27 December 2020 | **24,801** | **–** | **24,801** |

| | Long-term Borrowings £'000 | Short-term Borrowings £'000 | Total £'000 |
|---|---|---|---|
| At 31 December 2018 | 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** |

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

| | Long-term Borrowings £'000 | Short-term Borrowings £'000 | Total £'000 |
|---|---|---|---|
| At 30 December 2019 | 32,310 | – | 32,310 |
| **Cash flows:** | | | |
| Repayments | (7,500) | – | (7,500) |
| **Non-cash items:** | | | |
| Amortisation of loan arrangement fees | (9) | – | (9) |
| At 27 December 2020 | **24,801** | **–** | **24,801** |

| | Long-term Borrowings £'000 | Short-term Borrowings £'000 | Total £'000 |
|---|---|---|---|
| At 31 December 2018 | 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** |

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for the 52 week period ended 27 December 2020 (2019: for the 52 week period ended 29 December 2019)

## 20 Borrowings and lease liabilities continued

The changes in the Group's and Company's liabilities arising from leases can be classified as follows:

| | Long-term Lease liabilities £'000 | Short-term Lease liabilities £'000 | Total £'000 |
|---|---|---|---|
| At 30 December 2019 | – | – | – |
| Recognised on adoption of IFRS 16 | 18,959 | 2,083 | 21,042 |
| At 30 December 2019 -post adoption of IFRS 16 | 18,959 | 2,083 | 21,042 |
| **Cash flows:** | | | |
| Repayments | – | (2,046) | (2,046) |
| Accrued interest | – | 699 | 699 |
| **Non-cash items:** | | | |
| Additions | 158 | – | 158 |
| Reclassification | (1,367) | 1,367 | – |
| At 27 December 2020 | **17,750** | **2,103** | **19,853** |

## 21 Financial instruments and risk management

**Financial instruments by category:**

| | **Group 2020 £'000** | Group 2019 £'000 | **Company 2020 £'000** | Company 2019 £'000 |
|---|---|---|---|---|
| Financial assets – loans and receivables | | | | |
| Trade and other receivables | **899** | 1,680 | **899** | 1,680 |
| Cash and cash equivalents | **12,331** | 2,769 | **12,331** | 2,769 |
| | **13,230** | 4,449 | **13,230** | 4,449 |

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

| | **Group 2020 £'000** | Group 2019 £'000 | **Company 2020 £'000** | Company 2019 £'000 |
|---|---|---|---|---|
| **Non-current** | | | | |
| Borrowings | **24,801** | 32,310 | **24,801** | 32,310 |
| Lease liabilities | **17,750** | – | **17,750** | – |
| Other payables | **–** | 50 | **–** | 50 |
| | **42,551** | 32,360 | **42,551** | 32,360 |
| **Current** | | | | |
| Current borrowings | **–** | – | **–** | – |
| Lease liabilities | **2,103** | – | **2,103** | – |
| Trade and other payables | **3,412** | 4,833 | **3,412** | 4,833 |
| Amounts due to group undertakings | **–** | – | **1,067** | 15,515 |
| | **5,515** | 4,833 | **6,582** | 20,348 |

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 2020 £'000** | Group 2019 £'000 | **Company 2020 £'000** | Company 2019 £'000 |
|---|---|---|---|---|
| A1 | **12,082** | 2,637 | **12,082** | 2,637 |
| Not rated | **249** | 132 | **249** | 132 |
| | **12,331** | 2,769 | **12,331** | 2,769 |

A1 rating means that the risk of default for the investors and the policy holder is deemed to be very low.

Not rated balances relate to petty cash amounts.

**Market risk – cash flow interest rate risk**
The Group had outstanding borrowing of £25,000,000 at year end as disclosed in note 20. These were loans taken out with Barclays to facilitate the purchase of 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 27 December 2020, 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% |
| **27 December 2020** | **(317)** | **317** | **(317)** | **317** |
| 29 December 2019 | (285) | 285 | (285) | 285 |

**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.

# Notes to the financial statements

for the 52 week period ended 27 December 2020 (2019: for the 52 week period ended 29 December 2019)

## 21 Financial instruments and risk management continued

**Liquidity risk**

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

| Group | Less than 1 year £'000 | Between 1 and 2 years £'000 | Between 2 and 5 years £'000 | Over 5 years £'000 |
|---|---|---|---|---|
| **As at 27 December 2020:** | | | | |
| Borrowings | **–** | **–** | **24,801** | **–** |
| Lease liabilities | **2,103** | **2,103** | **6,119** | **15,108** |
| Trade and other payables | **3,412** | **–** | **–** | **–** |
| As at 29 December 2019: | | | | |
| Borrowings | – | – | 32,310 | – |
| Trade and other payables | 4,833 | 50 | – | – |

| Company | Less than 1 year £'000 | Between 1 and 2 years £'000 | Between 2 and 5 years £'000 | Over 5 years £'000 |
|---|---|---|---|---|
| **As at 27 December 2020:** | | | | |
| Borrowings | **–** | **–** | **24,801** | **–** |
| Lease liabilities | **2,103** | **2,103** | **6,119** | **15,108** |
| Trade and other payables | **4,479** | **–** | **–** | **–** |
| As at 29 December 2019: | | | | |
| Borrowings | – | – | 32,310 | – |
| Trade and other payables | 20,348 | 50 | – | – |

**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.

## 22 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 30 December 2018 or 29 December 2019. During the period ended 27 December 2020 the Group acquired investments in other companies, which have been recognised at fair value at the reporting date.

All investments in equity instruments are considered to be level 3 investments.

## 23 Deferred tax

| | **Group 2020 £'000** | Group 2019 £'000 | **Company 2020 £'000** | Company 2019 £'000 |
|---|---|---|---|---|
| **Provision for deferred tax liabilities** | | | | |
| Accelerated capital allowances | **1,044** | 986 | **1,044** | 986 |
| Arising on acquisition | **1,137** | 1,137 | **1,137** | 1,137 |
| | **2,181** | 2,123 | **2,181** | 2,123 |
| | | | | |
| Provision at the start of the period | **2,123** | 1,537 | **2,123** | 667 |
| Arising on acquisition | **–** | 343 | **–** | 343 |
| Transferred on hive up of business | **–** | – | **–** | 870 |
| Deferred tax charge for the period | **58** | 243 | **58** | 243 |
| Provision at the end of the period | **2,181** | 2,123 | **2,181** | 2,123 |

| | **Group 2020 £'000** | Group 2019 £'000 | **Company 2020 £'000** | Company 2019 £'000 |
|---|---|---|---|---|
| **Deferred tax asset** | | | | |
| Arising on tax losses carried forward | **503** | – | **503** | – |
| | | | | |
| Deferred tax asset at the start of the period | **–** | – | **–** | – |
| Deferred tax credit for the period | **503** | – | **503** | – |
| Deferred tax asset at the end of the period | **503** | – | **503** | – |

# Notes to the financial statements

for the 52 week period ended 27 December 2020 (2019: for the 52 week period ended 29 December 2019)

## 24 Share capital

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| **Allotted called up and fully paid** | | |
| 105,684,425 Ordinary shares of 1 pence each: (2019: 61,623,791 Ordinary share of 50p each) | **1,057** | 30,812 |
| 3,021,770,759 Deferred shares of 1 pence each (2019: nil) | **30,218** | – |
| Total | **31,275** | 30,812 |

In February 2020 the Group issued 45,000 £0.50 shares at a price of £1.00 per share in relation to the exercise of share options. The premium on the shares issued was credited to the share premium account.

In April 2020 the Group undertook a subdivision of its ordinary share capital, which resulted in the issued ordinary share capital of 61,668,791 ordinary £0.50 shares being subdivided into 3,083,439,550 ordinary £0.01 shares. After the subdivision 3,021,770,759 ordinary £0.01 shares were re-designated as 3,021,770,759 deferred £0.01 shares, leaving 61,668,791 ordinary shares of £0.01 each.

In April 2020 the Group completed a Placing and Open Offer, which were fully subscribed and resulted in the issue of 30,000,000 ordinary £0.01 shares at a price of £0.50 per share and 14,015,634 ordinary £0.01 shares at a price of £0.50 per share respectively. The premium on the shares issued as part of the Placing and Open Offer, less the share issue costs of £857,000 was credited to the share premium account.

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

The deferred shareholders are not entitled to be paid a dividend out of any surplus profits and only participate in surplus assets on winding up after certain conditions. The deferred shares do not entitle the holder to vote at a General Meeting.

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

| | £0.50 Ordinary shares Number | £0.01 Ordinary shares Number | Deferred shares Number |
|---|---|---|---|
| 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** | **–** | **–** |
| Issue of new ordinary shares on exercise of share options | 45,000 | – | – |
| Sub-total | 61,668,791 | – | – |
| Impact of the subdivision of £0.50 ordinary shares to £0.01 ordinary shares | (61,668,791) | 3,083,439,550 | – |
| Impact of the re-designation to deferred shares | – | (3,021,770,759) | 3,021,770,759 |
| Issue of new ordinary shares on Placing | – | 30,000,000 | |
| Issue of new ordinary shares on Open Offer | – | 14,015,634 | |
| **At 27 December 2020** | **–** | **105,684,425** | **3,021,770,759** |

**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 (2019: no shares) in the Company were purchased during the period at a cost of £nil (2019: £nil).

At 27 December 2020 the JSOP held 1,925,000 ordinary shares in The City Pub Group plc (2019: 1,925,000).

At 27 December 2020 awards over 1,925,000 (2019: 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").

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.

## 25 Staff costs

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

| | **2020** | 2019 |
|---|---|---|
| Management and Administration | **92** | 98 |
| Operation of Public Houses | **892** | 1,111 |
| | **984** | 1,209 |

**Employment costs (including Directors)**

| | **2020 £'000** | 2019 £'000 |
|---|---|---|
| Wages and salaries | **15,500** | 20,392 |
| Pension costs | **323** | 380 |
| Social security costs | **913** | 1,318 |
| Share based payments charge | **397** | 273 |
| | **17,133** | 22,363 |

# Notes to the financial statements

for the 52 week period ended 27 December 2020 (2019: for the 52 week period ended 29 December 2019)

## 26 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 | | Compensation for loss of office | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2020 £'000** | 2019 £'000 | **2020 £'000** | 2019 £'000 | **2020 £'000** | 2019 £'000 | **2020 £'000** | 2019 £'000 | **2020 £'000** | 2019 £'000 |
| Clive Watson | **112** | 145 | **9** | 21 | **7** | 7 | **–** | – | **128** | 173 |
| Alex Derrick | **101** | 145 | **6** | 13 | **5** | 7 | **166** | – | **278** | 165 |
| Rupert Clark | **112** | 145 | **9** | 9 | **7** | 7 | **–** | – | **128** | 161 |
| Tarquin Williams | **104** | 130 | **2** | 2 | **2** | 6 | **–** | – | **108** | 138 |
| Toby Smith | **33** | – | **–** | – | **–** | – | **–** | – | **33** | – |
| Richard Prickett | **38** | 47 | **–** | – | **–** | – | **–** | – | **38** | 47 |
| John Roberts* | **26** | 33 | **–** | – | **26** | 50 | **–** | – | **52** | 83 |
| Neil Griffiths | **32** | 42 | **–** | – | **–** | – | **–** | – | **32** | 42 |
| **Total** | **558** | 687 | **26** | 45 | **47** | 77 | **166** | – | **797** | 809 |

* John Roberts provides brewery consultancy services to the Group in relation to our seven microbreweries. The fees for these consultancy services are included within the Other column.

Emoluments in respect of the Directors are as follows:

| | **2020 £'000** | 2019 £'000 |
|---|---|---|
| Remuneration for qualifying services | **797** | 809 |

The highest paid Director in the period received remuneration of £278,000; (2019: £173,000). Four directors had equity settled share options in issue at the period end (2019: Four). Additional information on Directors' remuneration is given within the Corporate Governance Report.

## 27 Share-based payments

The Group provides share-based payments to employees, which are all equity settled, in the form of a Company Share Ownership Plan (CSOP), started in 2016, a Joint Share Ownership Plan ("JSOP") started in 2018 and the Group's Long Term Incentive Plan ("LTIP") started in 2020. The Company uses the Black-Scholes valuation model to value these 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 27 December 2020 2,515,000 options were granted under the CSOP scheme (2019: no options granted), 2,100,000 options were granted under the Group's Long Term Incentive Plan (2019: no options granted); and no awards were made under the JSOP scheme (2019: no awards). A share-based payment charge of £397,000 (2019: £274,000) has been reflected in the consolidated statement of comprehensive income.

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

| Year of grant | 2020 – CSOP | 2020 – LTIP |
|---|---|---|
| Exercise price (£) | 0.60 | 0.00 |
| Number of awards granted | 2,515,000 | 1,900,000 |
| Performance based criteria (see Directors options for criteria) | No | Yes |
| Vesting period (years) | 3 | 3 |
| Expected Life (years) | 7 | 4 |
| Contractual life (years) | 10 | 10 |
| Risk free rate | 0.048% | (0.0011)% |
| Expected dividend yield | 1.40% | 1.00% |
| Volatility | 30% | 27% |
| Fair value (£) | 0.15 | 0.92 |

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

| | **2020 Number of Awards** | **2020 Weighted average exercise price £** | 2019 Number of Awards | 2019 Weighted average exercise price £ |
|---|---|---|---|---|
| Outstanding at start of period | **3,332,500** | **1.75** | 3,785,000 | 1.69 |
| Granted | **4,615,000** | **0.33** | – | – |
| Exercised | **(45,000)** | **1.00** | (217,500) | 1.00 |
| Expired | **(922,500)** | **1.11** | (235,000) | 1.48 |
| Outstanding at end of period | **6,980,000** | **0.90** | 3,332,500 | 1.75 |
| Exercisable at 27 December 2020 | **405,000** | **1.00** | 735,000 | 1.00 |

The weighted average remaining contractual life of options outstanding at the end of the period is 6.66 years (2019: 3.58 years).

Previous issues of CSOPs in both 2016 and 2018 had a vesting period of 3 years, an expected life of 7 years and a contractual life of 10 years. The exercise price for the 2016 CSOPs was £1.00 and the exercise price for the 2018 CSOPs was £1.70. The JSOP has an exercise price of £2.05 and contractual life of 10 years.

At the end of the period there were 6,980,000 outstanding options. The breakdown of these is as follows:

405,000 – 2016 CSOP, 235,000 – 2018 CSOP, 1,925,000 – JSOP, 1,900,000 – LTIP and 2,515,000 – 2020 CSOP.

# Notes to the financial statements

for the 52 week period ended 27 December 2020 (2019: for the 52 week period ended 29 December 2019)

## 28 Financial commitments

From 1 October 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low value leases, see Accounting Policies and Note 13 for further information. In the prior year, the Group had commitments under non-cancellable operating leases in respect of land and buildings. The Group's future minimum operating lease payments were as follows:

| | **Group 2020 £'000** | Group 2019 £'000 | **Company 2020 £'000** | Company 2019 £'000 |
|---|---|---|---|---|
| Within one year | – | 2,061 | – | 1,508 |
| Between one and five years | – | 8,242 | – | 6,031 |
| After five years | – | 17,991 | – | 13,923 |
| | – | 28,294 | – | 21,462 |

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

## 29 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:

£1,500 (2019: £15,006) was paid to Helen Watson, who is related to Clive Watson. At the period end Helen Watson was owed £nil (2019: £nil). Helen Watson has an existing £10,000 float with the group.

At the end of the prior period an advance of £20,000 was paid to Alex Derrick, which was repaid following his CSOP exercise in February 2020.

Clive Watson is an investment consultant to Mosaic. Richard Prickett, Non-Executive Director of the City Pub Group, is a Non-Executive Director of The Pioneer (City) Pub Company Limited, a company which forms part of the Mosaic Pub and Dining Group. James Watson, CEO of Mosaic, is related to Clive Watson.

### (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 26.

No key personnel other than the directors have been identified in relation to the periods ended 27 December 2020 and 29 December 2019.

## 30 Post balance sheet events

**New £5m CLBLS**

In March 2021, the Company agreed a new £5m CLBLS facility through our bankers, Barclays over a 3 year period. This is in addition to our existing £35m RCF.

**Covid 19 Insurance Payment**

In March 2021, the Company also received the £1m insurance pay out from our insurers QBE for our claim relating to Covid.

**KPH / Barts Pub Investment**

We recently announced that we have acquired a 49% stake in Barts Pub Ltd, owner of the iconic Kensington Park Hotel (KPH), based in Ladbroke Grove for £750k. We will operate this pub under a management contract initially and have also secured an option to acquire the freehold of KPH to ensure that this asset comes into our ownership soon.

**Mosaic Investment**

We also recently announced that we increased our investment into Mosaic Pub and Dining (Tranche 1 of companies) by £1.2m in March 2021. Our total stake in Mosaic is now 24% for a total investment of £2.4m.

## 31 Capital commitments

At the period end the Group and Company has no capital commitments excluding the financial commitments disclosed in note 28.

# Directors, officers and company information

| | |
|---|---|
| **Directors** | Clive Watson ACA – Executive Chairman<br>Rupert Clark – Managing Director<br>Toby Smith – Chief Operating Officer<br>Tarquin Williams ACMA – Chief Financial Officer<br>John Roberts – Non Executive Director<br>Richard Prickett FCA – Non Executive Director<br>Neil Griffiths – Non Executive Director<br>Emma Fox – Non Executive Director |
| **Secretary and Registered Office** | James Dudgeon<br>Essel House<br>2nd Floor<br>29 Foley Street<br>London W1W 7TH |
| **Nominated Adviser and Corporate Broker** | Liberum Capital Limited<br>25 Ropemaker Street<br>London EC2Y 9LY |
| **Auditors** | Haysmacintyre LLP<br>10 Queen Street Place<br>London EC4R 1AG |
| **Solicitors** | Addleshaw Goddard LLP<br>Exchange Tower<br>19 Canning Street<br>Edinburgh EH3 8EH |
| **Bankers** | Barclays Bank PLC<br>Exchange Tower 2<br>Harbour Exchange Square<br>London E14 9GE |
| **Registrars** | Equiniti Limited<br>Aspect House<br>Spencer Road<br>Lancing BN99 6DA |
| **Company registration number:** | 07814568 |

# Notes

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