**The City Pub Group PLC
(the "City Pub Group", the "Company" or the "Group")**

**INTERIM RESULTS FOR THE 26 WEEK PERIOD ENDED 28 JUNE 2020**

The City Pub Group, the owner and operator of 52 predominantly freehold pubs announces its unaudited results for the 26 weeks ended 28 June 2020.

**Trading since reopening**

* Successful phased reopening from 4 July with 37 of 48 trading pubs now open
* Since reopening, revenues strong at around 80% of previous levels for pubs re-opened, generating positive cashflow
* Strong asset-backed balance sheet with approximately £13m of net debt and good levels of liquidity

**Actions taken to enhance the Group**

* Marketing/booking functions centralised, generating increased pre-bookings
* Supply chain rationalised to maximise economies of scale
* City Club App relaunched, with over 140,000 downloads
* Estate being appraised for alternative use (e.g. sale of excess space for residential use)
* Acquisition of 14% equity stake in Mosaic Pub and Dining Group

 **H1 results impacted by over 3 months of closure**

* Revenue of £12.1 million (H1 2019: £27.1 million)
* Adjusted EBITDA\* of £(1.2) million (H1 2019: £3.6 million)
* Adjusted profit / (loss) before tax\*\* of £(3.5) million (H1 2019: £1.9 million)
* Implied net asset value of approximately 132p per share\*\*\*

*\* 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.
\*\*\* Based on director’s valuation of £150 million under normalised trading conditions.*

***Clive Watson, Executive Chairman of The City Pub Group, said:***

***"Trading since reopening, given that there have been no sporting events or large bookings and given reduced opening hours, has been encouraging. This excellent performance has delivered profitable, positive cashflows allowing us to maintain our strong financial position. A large part of this is down to the passion and dedication of our staff who have hospitality at their very core.***

***The business has undergone significant change since the outbreak of Covid-19. The work and actions implemented have made us an even better business, positioned us well to endure these challenging times and emerge strongly once the pandemic passes.“***

**30 September 2020**

*This announcement contains inside information for the purposes of EU Regulation 596/2014.*

|  |  |
| --- | --- |
| **Enquiries:** |  |
| **City Pub Group**Clive Watson, ChairmanTarquin Williams, CFO |  |
|  |  |
| **Instinctif Partners**Matthew SmallwoodJack Devoy | **+44 (0) 20 7457 2020** |
|  |  |
| **Liberum (Nomad & Broker)**Chris ClarkeEdward ThomasClayton Bush | **+44 (0) 20 3100 2000** |

For further information on City Pub Group pubs visit www.citypubcompany.com

**Chairman’s Statement**

2020 to date has been an extraordinary year with much to contend with, but the City team has been up to the task, rapidly securing the future of the Group and using the period of closure to enhance the business and readying our pubs and people for a successful reopening where we took full advantage of EOTHO (Eat Out To Help Out).

Since announcing our 2019 results in June, the Group has been able to re-open 37 of its 48 pubs. These were opened in a controlled manner, phased to benefit from learnings as we opened. We focussed on those pubs with large outdoor trading spaces and in close proximity to residential areas. By opening the pubs which we knew would trade well, we were able to do so in a cash-positive manner, taking account of all liabilities. Since reopening, revenues have been at around 80% of previous levels for re-opened pubs, generating good levels of positive cash flow.

Our business is resilient with pubs that are modern and attractive to our customers. We have a proven model that is cash generative and operates on good margins. Our balance sheet is extremely strong, heavily asset-backed and following the equity raise of £22m the Group only has approximately £13m of net-debt. On a normalised trading basis, the directors’ valuation of the Group’s portfolio is circa £150m, implying a net asset value per share of approximately 132p without any lotting premium, which the Board believes is sustainable, given the high-quality of the pub portfolio. Whilst the trading environment is exceptionally challenging and ever-changing, our strong financial position means that the Group will emerge safely, rebuild quickly from the crisis and be in a position to take advantage of the undoubted opportunities that will arise, allowing us to resume our successful growth path.

Our priorities remain the preservation of cash and improving the way we operate our business. When we finally emerge from the Covid-19 crisis, we want to be in a position where we can grow the business and the trading estate.

**Trading estate**

The Group owns and operates 48 trading pubs and has four sites in development. Most of our pubs have outdoor seating spaces and are not located in shopping centres or in areas surrounded predominantly by offices. On 4 July 2020, when the pubs could re-open, 24 of our pubs did so, which gradually increased to 37 as of today’s date. The estate is bespoke, high quality and well invested making the task of reopening easier.

A new upgraded central maintenance system is in the process of being installed and introduced across the business which will deliver enhanced and more efficient control over how properties are managed and will also help reduce ongoing repair costs.

Following the decision to conserve cash and cease any unnecessary capital expenditure, the four planned development projects have been suspended for the short-term. We are also appraising our estate to evaluate if there is any excess space which we might be able to sell for alternative uses (mainly residential, especially now the planning regime seems to be more receptive).

**Financial Highlights**

The Board is pleased with how the Group performed during the period, especially given the pubs were closed for more than 3 months and we have been delighted with the support that we have received from our suppliers and partners. Since the period ended 28 June 2020, the Group has been trading profitably and cash expenditure has been significantly reduced, helping to achieve positive cash generation.

* Sales of £12.1m - down 55% (H1 2019: £27.1m)
* Adjusted EBITDA\* of £(1.2)m (H1 2019: £3.6m)
* Adjusted Profit / (Loss)\*\* before tax of £(3.5)m (H1 2019: £1.9m)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Key Metrics** |  |  |  |  |
|   |   |   |   |   |
|   | Post IFRS 16 | Pre IFRS 16 |   |   |
|   | 26 weeks to | 26 weeks to | 26 weeks to | Change |
|   | 28.06.20 | 28.06.20 | 30.06.19 | Pre IFRS 16 |
|   | £m | £m | £m | % |
| Revenue | 12.1 | 12.1 | 27.1 | -55% |
| Adjusted EBITDA | (0.2) | (1.2) | 3.6 | -133% |
| Adjusted Profit/(loss) before tax | (3.6) | (3.5) | 1.9 | -280% |

*\* 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.*

**Government support**

Support by the Government has been critical to the sector and in many cases has made the difference between pubs staying open and closing permanently, avoiding mass job losses within the sector. The Group has benefited primarily from the Coronavirus Job Retention Scheme, the business rates holiday and reductions in VAT.

At one stage, 98% of our employees were furloughed and we have been able to maintain nearly 1000 jobs across the Group due to these schemes. The Eat Out To Help Out scheme helped revitalise trade and build consumer confidence, particularly in the early part of the week, and when it finished we decided to continue with this scheme throughout September financing it ourselves, with plans to further extend it during October.

The business rates relief announcement by the Government for this financial year has helped significantly and we hope the Government will extend this relief beyond March to give the pub sector a chance and further assistance to recover. This aid provided by the Government has helped to secure our future during the most challenging of times and mitigated a significant number of job losses.

The Chancellor’s Winter Economy Plan, announced on 24 September 2020, particularly in relation to VAT, is welcome, however the furlough scheme’s replacement, the part-time subsidy together with the message of “work from home if you can” and the 10pm curfew, will inevitably result in significant job losses across the industry. The part time subsidy is not suitable as a mechanism to save jobs in the pub trade, ironically one of the industries that it was designed to support. The current package of support simply does not go far enough stave off immediate and permanent damage to an industry that pays significant tax and employs 10% of the UK’s workforce.

**Covid-19**

The Covid-19 pandemic has been the biggest challenge to business that we have all had to face in all our lifetimes. The recession of the early 1980 and 1990s, and the credit crunch in 2008/2009 are comparably insignificant when assessing the impact of Covid-19. As a management team, we have had to adopt new measures to help stabilise the business and these are highlighted below.

Liquidity – the Group raised £22m from a Placing and Open Offer in April. These funds have helped to strengthen the balance sheet and have been utilised in helping to reduce the Group’s bank borrowings. This in turn has helped the Group to modify its arrangements with its bank, Barclays plc, meaning there will be no covenant testing until mid-2021. We continue to benefit from good liquidity and levels of liquidity are significantly greater than at the same time last year.

Rent negotiations – the Group has been able to enter into arrangements with some of its landlords, where some rent is paid in return for rent concessions going forward. The Group will consider whether it should permanently surrender its liabilities on certain leases. The Group is prepared to work with landlords so that an equitable arrangement for both parties can be found.

**Central Marketing and Bookings**

Previously most marketing activities and bookings were undertaken at site level and during lockdown the Group centralised these functions. A sales and bookings team based at head office has been established and a central marketing function has been added to this. Bookings have increased but more importantly we are now in a better position to generate more pre-booked business when we are beyond Covid-19, and when large bookings (weddings, corporate events etc.) return, we will be well placed to take advantage.

**City Club App**

We used the period of lockdown to re-launch our City Club App which we have done very successfully. We now have over 140K downloads on the app and many of our customers order and pay through it. To develop the app further, we will look at ways of offering benefits to create a ‘*Members Club’* feel. We will also look at collaborating with other retailers which will help foster customer loyalty.

**Streamlining suppliers**

We always pride ourselves on owning and operating a genuine, independent collection of pubs, however with so many suppliers in the system, we were not benefitting from economies of scale and there was too much complexity in the business. During lockdown, we significantly streamlined the list of suppliers, but focused on maintaining premium brands and seeking out good quality food suppliers, to improve the overall quality of the offer.

**Head Office and Regional Re-organisation**

We have now completed the review of head office and regional roles and in several cases have now merged these roles. Not only have central and regional costs come down by around 25%, but the execution of policy will be vastly improved.

**Acquisition of stake in Mosaic Pub and Dining Group**

The Group has recently 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.

**People**

Covid-19 has been a very challenging time for all staff in our sector. At the time of reopening we ensured all the necessary PPE was sourced so that staff and customers were protected as much as possible. Employees rose magnificently to the challenge ensuring the pubs reopened in a Covid-19 compliant fashion. A lot of hard work was undertaken by the Operations team and retail staff. The Board would like to thank them for all their hard endeavour. I would also like to thank the Head Office team for all their efforts since lockdown. It has been difficult to work offline and maintain morale, but they have held together to overcome the biggest challenge we have ever faced.

**Trading**

Since lockdown, we are now achieving sales of around 80% of last year for those pubs that have re-opened. Given the lack of large bookings, sporting events, other entertainment and reduced opening hours, this has been an incredible performance. In addition, the Group has improved gross profit margins by having less suppliers, and improved operating margins due to having less labour and overhead costs, as well as reductions in head office costs. This excellent performance has delivered profitable, positive cash flows, allowing us to maintain our strong financial position.

**Outlook**

The business has undergone much change since the outbreak of Covid-19. The work and actions which have been implemented have made us an even better business and positioned the Group well to endure through these challenging times and to emerge strongly once the pandemic passes. Looking forward, our focus is on having an ever improving and compelling retail offer, an efficient cost base together with improved systems, so that our existing business not only comes out the other side of Covid-19 stronger, but we are also able to expand the trading estate once again. Notwithstanding this, the Group is not in a position to provide financial guidance at this stage.

The next 6 months will throw up more challenges, but I remain confident we can face up to them. During this period, it is important that we continue to develop the Group and continue to establish ourselves as a premium collection of pubs, with its own brand and culture. It is in times like these that it is important to challenge your business model and make enhancements where necessary. I want to thank the staff, directors, shareholders, bankers, advisors, suppliers, and everyone else who has helped to move our business forward in these difficult times.

Clive Watson

Chairman

30 September 2020

**Consolidated Statement of Comprehensive Income**

*For the 26 weeks ended 28 June 2020*

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |
|  |  |  | **Unaudited** |  | Unaudited |  | Audited |  |
|  |  |  | **26 weeks ended** |  | 26 weeks ended |  | 52 weeks ended |  |
|  |  |  | **28 June 2020** |  | 30 June 2019 |  | 29 December 2019 |  |
|  | **Notes** |  | **£’000** |  | £’000 |  | £’000 |  |
|  |  |  |  |  |  |  |  |  |
| **Revenue** |  |  | **12,142**  |  | 27,107  |  | 60,028  |  |
| Costs of sales |  |  |  **(3,029)** |  |  (6,824) |  |  (15,165) |  |
| **Gross profit** |  |  | **9,113**  |  | 20,283  |  | 44,863  |  |
| Other operating income | **9(c)** |  | **2,931**  |  | -  |  | -  |  |
| Administrative expenses |  |  |  **(15,636)** |  |  (19,251) |  |  (42,339) |  |
| **Operating (loss)/profit** |  |  |  **(3,592)** |  | 1,032  |  | 2,524  |  |
|  |  |  |  |  |  |  |  |  |
| **Reconciliation to adjusted EBITDA\*** |  |   |  |   |   |   |   |  |
| Operating (loss)/profit |  |  |  **(3,592)** |  | 1,032  |  | 2,524  |   |
|   |  |  |  |  |  |  |  |   |
| Depreciation | **6 & 7** |  | **2,775**  |  | 1,594  |  | 3,407  |   |
| Share option charge |  |  | **103**  |  | 180  |  | 274  |   |
| Exceptional items | **2** |  | **520**  |  | 803  |  | 2,861  |  |
|   |  |  |  |  |   |  |   |   |
| **\*Adjusted (loss)/earnings before exceptional items, share option charge, interest, taxation and depreciation** |  |  |  **(194)** |  | 3,609  |  | 9,066  |  |
|  |   |  |   |   |   |   |  |
|  |  |  |  |  |  |  |  |  |
| Finance costs |  |  |  **(653)** |  |  (86) |  |  (321) |  |
| **(Loss)/profit before tax** |  |  |  **(4,245)** |  | 946  |  | 2,203  |  |
| Tax credit/(expense) | **3** |  | **760**  |  |  (436) |  |  (891) |  |
| **(Loss)/profit for the period and total comprehensive income** |  |  |  **(3,485)** |  | 510  |  | 1,312  |  |
|  |  |  |  |  |  |  |  |  |
| **(Loss)/earnings per share** |  |  |  |  |  |  |  |  |
| Basic (loss)/earnings per share (p) | **4** |  | **(4.52)**  |  | 0.86  |  | 2.20  |  |
| Diluted earnings per share (p) | **4** |  | **n/a**  |  | 0.85  |  | 2.19  |  |
|  |  |  |  |  |  |  |  |  |

All activities comprise continuing operations. There are no recognised gains or losses other than those passing through the statement of comprehensive income.

The accompanying notes are an integral part of these interim statements.

**Consolidated Statement of Financial Position**

*As at 28 June 2020*

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Unaudited** |  | Unaudited |  | Audited |
|  |  |  | **26 weeks ended** |  | 26 weeks ended |  | 52 weeks ended |
|  |  |  | **28 June 2020** |  | 30 June 2019 |  | 29 December 2019 |
| **Assets** | **Notes** |  | **£’000** |  | £’000 |  | £’000 |
| **Non-current** |  |  |  |  |  |  |  |
| Intangible assets |  |  | **4,136**  |  | 4,136  |  | 4,136  |
| Property, plant and equipment | **6** |  | **110,709**  |  | 107,770  |  | 110,914  |
| Right-of-use assets | **7** |  | **20,233**  |  | -  |  | -  |
| **Total non-current assets** |  |  | **135,078**  |  | 111,906  |  | 115,050  |
| **Current** |  |  |  |  |  |  |  |
| Inventories |  |  | **740**  |  | 880  |  | 1,220 |
| Trade and other receivables |  |  | **2,970**  |  | 2,885  |  | 3,406 |
| Cash and cash equivalents |  |  | **11,666**  |  | 3,114  |  | 2,769 |
| **Total current assets** |  |  | **15,376**  |  | 6,879  |  | 7,395 |
| **Total assets** |  |  | **150,654**  |  | 118,785  |  | 122,445 |
| **Liabilities** |  |  |  |  |  |  |  |
| **Current liabilities** |  |  |  |  |  |  |  |
| Trade and other payables |  |  |  **(6,419)** |  |  (9,178) |  |  (9,027) |
| Financial liabilities - lease liabilities |  |  |  **(2,083)** |  | -  |  | -  |
| **Total current liabilities** |  |  |  **(8,502)** |  |  (9,178) |  |  (9,027) |
| **Non-current** |  |  |  |  |  |  |  |
| Borrowings |  |  |  **(24,829)** |  |  (30,000) |  | (32,310) |
| Other payables |  |  | **-**  |  |  (50) |  | (50) |
| Financial liabilities - lease liabilities |  |  |  **(18,299)** |  | -  |  | -  |
| Deferred tax liabilities |  |  |  **(2,018)** |  |  (1,879) |  | (2,123) |
| **Total non-current liabilities** |  |  |  **(45,146)** |  |  (31,929) |  | (34,483) |
| **Total liabilities** |  |  |  **(53,648)** |  |  (41,107) |  | (43,510) |
| **Net assets** |  |  | **96,806** |  | 77,678 |  | 78,935 |
| **Equity** |  |  |  |  |  |  |  |
| Share capital | **8** |  | **31,275**  |  | 30,692  |  | 30,812 |
| Share premium | **8** |  | **59,360**  |  | 38,328  |  | 38,570 |
| Own shares (JSOP) |  |  |  **(3,272)** |  |  (3,272) |  | (3,272) |
| Other reserve |  |  | **92**  |  | 92  |  | 92 |
| Share-based payment reserve |  |  | **1,080**  |  | 883  |  | 977 |
| Retained earnings |  |  | **8,271**  |  | 10,955  |  | 11,756 |
| **Total equity** |  |  | **96,806** |  | 77,678 |  | 78,935 |
|  |  |  |  |  |  |  |  |

The accompanying notes are an integral part of these interim statements.

**Consolidated Statement of Changes in Equity**

*For the 26 weeks ended 28 June 2020*

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Share capital£’000** |  | **Share premium£’000** |  | **Own shares (JSOP)****£’000** |  | **Other reserve£’000** |  | **Share-based payment reserve£’000** |  | **Retained earnings£’000** |  | **Total£’000** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Balance at 30 December 2018 (Audited)** |  | 30,651  |  | 38,287  |  | (3,272) |  | 92  |  | 703  |  | 12,077  |  | 78,538  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Employee share-based compensation |  | -  |  | -  |  | -  |  | -  |  | 180  |  | -  |  | 180  |
| Dividends |  | -  |  | -  |  | -  |  | -  |  | -  |  | (1,632) |  | (1,632) |
| Issue of new shares |  | 41  |  | 41  |  | -  |  | -  |  | -  |  | -  |  | 82  |
| **Transactions with owners** |  | 41  |  | 41  |  | -  |  | -  |  | 180  |  | (1,632) |  | (1,370) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Profit for the period |  | -  |  | -  |  | -  |  | -  |  | -  |  | 510  |  | 510  |
| **Total comprehensive income for the period** |  | -  |  | -  |  | -  |  | -  |  | -  |  | 510  |  | 510  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Balance at 30 June 2019 (Unaudited)** |  | **30,692**  |  | **38,328**  |  | **(3,272)** |  | **92**  |  | **883**  |  | **10,955**  |  | **77,678**  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Employee share-based compensation |  | -  |  | -  |  | -  |  | -  |  | 94  |  | -  |  | 94  |
| Issue of new shares |  | 120  |  | 242  |  | -  |  | -  |  | -  |  | -  |  | 362  |
| **Transactions with owners** |  | 120  |  | 242  |  | -  |  | -  |  | 94  |  | -  |  | 456  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Profit for the period |  | -  |  | -  |  | -  |  | -  |  | -  |  | 801  |  | 801  |
| **Total comprehensive income for the period** |  | -  |  | -  |  | -  |  | -  |  | -  |  | 801  |  | 801  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Balance at 29 December 2019 (Audited)** |  | **30,812**  |  | **38,570**  |  | **(3,272)** |  | **92**  |  | **977**  |  | **11,756**  |  | **78,935**  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Employee share-based compensation |  | -  |  | -  |  | -  |  | -  |  | 103  |  | -  |  | 103  |
| Issue of new shares |  | 463  |  | 20,790  |  | -  |  | -  |  | -  |  | -  |  | 21,253  |
| **Transactions with owners** |  | 463  |  | 20,790  |  | -  |  | -  |  | 103  |  | -  |  | 21,356  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Loss for the period |  | -  |  | -  |  | -  |  | -  |  | -  |  |  (3,485) |  |  (3,485) |
| **Total comprehensive income for the period** |  | -  |  | -  |  | -  |  | -  |  | -  |  |  (3,485) |  |  (3,485) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Balance at 28 June 2020 (Unaudited)** |  | **31,275**  |  | **59,360**  |  |  **(3,272)** |  | **92**  |  | **1,080**  |  | **8,271**  |  | **96,806**  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

The accompanying notes are an integral part of these interim statements.

**Consolidated Statement of Cashflows**

*For the 26 weeks ended 28 June 2020*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **Unaudited** |  | Unaudited |  | Audited |
|  |  | **26 weeks ended** |  | 26 weeks ended |  | 52 weeks ended |
|  |  | **28 June 2020** |  | 30 June 2019 |  | 29 December 2019 |
|  |  | **£’000** |  | £’000 |  | £’000 |
| **Cash flows from operating activities** |  |  |  |  |  |  |
| **(Loss)/profit for the period** |  |  **(3,485)** |  | 510  |  | 1,312 |
| Taxation |  | **(760)**  |  | 436  |  | 891 |
| Finance costs |  | **653**  |  | 86  |  | 321 |
| **Operating (loss)/profit** |  |  **(3,592)** |  | 1,032  |  | 2,524 |
| Adjustments for: |  |  |  |  |  |  |
| Depreciation |  | **2,775**  |  | 1,594  |  | 3,407 |
| Gain on disposal of property, plant and equipment |  | **-**  |  |  (1) |  | (1) |
| Share-based payment charge |  | **103**  |  | 180  |  | 274 |
| Impairment |  | **-**  |  | 160  |  | 1,914 |
| Change in inventories |  | **480**  |  | 80  |  | (260) |
| Change in trade and other receivables |  | **1,080**  |  |  (273) |  | (778) |
| Change in trade and other payables |  |  **(2,287)** |  |  (2,112) |  | (43) |
| Cash (used in)/generated from operations |  |  **(1,441)** |  | 660  |  | 7,037 |
| Tax paid |  |  **(341)** |  |  (15) |  | (601) |
| **Net cash (used in)/from operating activities** |  |  **(1,782)** |  | 645  |  | 6,436 |
|  |  |  |  |  |  |  |
| **Cash flows from investing activities** |  |  |  |  |  |  |
| Purchase of property, plant and equipment |  |  **(1,699)** |  |  (8,787) |  |  (14,949) |
| Proceeds from disposal of property, plant and equipment |  | **-**  |  | 50  |  | 50  |
| Acquisition of new property sites |  | **-**  |  |  (9,840) |  |  (10,532) |
| **Net cash used in investing activities** |  |  **(1,699)** |  |  (18,577) |  |  (25,431) |
|  |  |  |  |  |  |  |
| **Cash flows from financing activities** |  |  |  |  |  |  |
| Proceeds from issue of share capital |  | **21,252**  |  | 82  |  | 218 |
| Repayment of borrowings |  |  **(7,500)** |  | -  |  | – |
| Dividends paid |  | **-**  |  | -  |  | (1,406) |
| Principal elements of lease payments |  |  **(1,008)** |  | -  |  | -  |
| Proceeds from new borrowings |  | **-**  |  | 18,400  |  | 20,695 |
| Interest paid |  |  **(366)** |  |  (289) |  | (596) |
| **Net cash from financing activities** |  | **12,378**  |  | 18,193  |  | 18,911 |
|  |  |  |  |  |  |  |
| **Net change in cash and cash equivalents** |  | **8,897**  |  | 261  |  | (84) |
| Cash and cash equivalents at the start of the period |  | **2,769**  |  | 2,853  |  | 2,853 |
| **Cash and cash equivalents at the end of the period** |  | **11,666**  |  | 3,114  |  | 2,769 |
|  |  |  |  |  |  |  |

The accompanying notes are an integral part of these interim statements.

**Notes to the Interim Statements**

*For the 26 weeks ended 28 June 2020*

# Basis of preparation

This interim report was approved by the board on 30 September 2020. The interim financial statements are unaudited and are not the Group’s statutory accounts as defined in section 434 of the Companies Act 2006.

The consolidated interim financial statements have been prepared under IFRS as adopted by the European Union and on the basis of the accounting policies set out in the statutory accounts of The City Pub Group plc, for the period ended 29 December 2019. The financial statements have not been prepared (and are not required to be prepared) in accordance with IAS 34: ‘Interim Financial Reporting’. They do not include any of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the period ended 29 December 2019.

Statutory accounts for the period ended 29 December 2019 have been delivered to the Registrar of Companies. These accounts contain an unqualified audit report under Section 495 of the Companies Act 2006, which did not make any statements under Section 498 of the Companies Act 2006.

The interim report is presented in Great British Pounds and all values are rounded to the nearest thousand pounds, except where otherwise indicated.

This interim report has been prepared in accordance with the AIM Rules issued by the London Stock Exchange.

1. **Exceptional items**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **Unaudited** |  | Unaudited |  | Audited |
|  |  | **26 weeks ended** |  | 26 weeks ended |  | 52 weeks ended |
|  |  | **28 June 2020** |  | 30 June 2019 |  | 29 December 2019 |
|  |  | **£’000** |  | £’000 |  | £’000 |
| Pre opening costs |  | **5**  |  | 506  |  | 777 |
| Impairment of a pub site (note 6) |  | **-**  |  | 160  |  | 1,914 |
| Other non recurring items |  | **515**  |  | 137  |  | 170 |
|  |  | **520**  |  | 803  |  | 2,861 |
|  |  |  |  |  |  |  |

The non-recurring items include a stock write off due Covid-19 and the closure of the pubs for more than 3 months.

1. **Tax (credit)/expense on (loss)/profit on ordinary activities**

The taxation credit/(charge) is calculated by applying the Directors’ best estimate of the annual effective tax rate to the (loss)/profit for the period. All items of taxation are reflected through the Statement of Comprehensive Income.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **Unaudited** |  | Unaudited |  | Audited |
|  |  | **26 weeks ended** |  | 26 weeks ended |  | 52 weeks ended |
|  |  | **28 June 2020** |  | 30 June 2019 |  | 29 December 2019 |
|  |  | **£’000** |  | £’000 |  | £’000 |
| ***Current income tax:*** |  |  |  |  |  |  |
| Current income tax (credit)/charge |  | **655**  |  | (436)  |  | (608)  |
| Adjustments in respect of previous period |  | **-**  |  | -  |  | (40) |
| Total current income tax (credit)/charge |  | **655**  |  | (436)  |  | (648)  |
| ***Deferred tax:*** |  |  |  |  |  |  |
| Origination and reversal of temporary differences |  | **105**  |  | -  |  | (243)  |
| Adjustments in respect of previous period |  | **-**  |  | -  |  | -  |
| Total deferred tax (credit)/charge |  | **105**  |  | -  |  | (243)  |
| **Total tax (credit)/charge** |  | **760**  |  | (436)  |  | (891)  |
|  |  |  |  |  |  |  |

1. **(Loss)/earnings per share**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **Unaudited** |  | Unaudited |  | Audited |
|  |  | **26 weeks ended** |  | 26 weeks ended |  | 52 weeks ended |
|  |  | **28 June 2020** |  | 30 June 2019 |  | 29 December 2019 |
|  |  | **£’000** |  | £’000 |  | £’000 |
| (Loss)/earnings for the period attributable to Shareholders  |  |  |  |  |  |  |
|  | **(3,485)**  |  | 510  |  | 1,966  |
|  |  |  |  |  |  |  |
| **(Loss)/earnings per share:** |  |  |  |  |  |  |
| Basic (loss)/earnings per share (p) |  | **(4.52)**  |  | 0.86  |  | 3.44  |
| Diluted earnings per share (p) |  | **n/a**  |  | 0.85  |  | 3.41  |
|  |  |  |  |  |  |  |
| **Weighted average number of shares:** |  | **Number of shares** |  | Number of shares |  | Number of shares |
|  |  |  |  |
| Weighted average shares for basic EPS |  | **77,145,443**  |  | 59,378,421  |  | 59,523,815  |
| Effect of share options in issue |  | **n/a**  |  | 644,168  |  | 456,481  |
| Weighted average shares for diluted earnings per share |  | **n/a**  |  | 60,022,589  |  | 59,980,296  |
|  |  |  |  |  |  |  |

1. **Dividends**

The Directors did not propose a dividend in relation to the year ended 29 December 2019 due to the Coronavirus pandemic (2018: 2.75p per share).

1. **Property, plant and equipment**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **Freehold & leasehold property** |  | **Fixtures, fittings and computers** |  |  |
| **Group** |  |  |  |  |
|  |  |  |  | **Total** |
| **Cost**  |  | **£’000** |  | **£’000** |  | **£’000** |
| **At 30 December 2018 (Audited)** |  | 78,687  |  | 21,785  |  |  100,472  |
| Additions |  | 5,988  |  | 3,001  |  | 8,989  |
| Acquisitions  |  | 10,344  |  | 288  |  | 10,632  |
| Disposals |  |  (91) |  |  (64) |  |  (155) |
| **At 30 June 2019 (Unaudited)** |  | **94,928**  |  | **25,010**  |  | **119,938**  |
| Additions |  | 2,389  |  | 3,997  |  | 6,386  |
| Acquisitions  |  |  (25) |  | 350  |  | 325  |
| **At 29 December 2019 (Audited)** |  | **97,292**  |  | **29,357**  |  | **126,649**  |
| Additions |  | 111  |   | 1,650  |  | 1,761  |
| **At 28 June 2020 (Unaudited)** |  | **97,403**  |  | **31,007**  |  | **128,410**  |
|  |  |  |  |  |  |  |
| **Depreciation** |  |  |  |  |  |  |
| **At 30 December 2018 (Audited)** |  | 2,201  |  | 8,251  |  | 10,452  |
| Provided during the period  |  | 330  |  | 1,264  |  | 1,594  |
| Impairment |  | 48 |  | 112 |  | 160 |
| Disposals |  |  (19) |  |  (19) |  |  (38) |
| **At 30 June 2019 (Unaudited)** |  | **2,560**  |  | **9,608**  |  | **12,168**  |
| Provided during the period  |  | 313  |  | 1,500  |  | 1,813  |
| Impairment |  | 1,754  |  | -  |  | 1,754  |
| **At 29 December 2019 (Audited)** |  | **4,627**  |  | **11,108**  |  | **15,735**  |
| Provided during the period  |  | 373  |   | 1,593  |  | 1,966  |
| **At 28 June 2020 (Unaudited)** |  | **5,000**  |  | **12,701**  |  | **17,701**  |
|  |  |  |  |  |  |  |
| **Net book value** |  |  |  |  |  |  |
| **At 28 June 2020 (Unaudited)** |  | **92,403**  |  | **18,306**  |  | **110,709**  |
| At 29 December 2019 (Audited) |  | 92,665  |  | 18,249  |  | 110,914  |
| At 30 June 2019 (Unaudited) |  | 92,368  |  | 15,402  |  | 107,770  |
| At 30 December 2018 (Audited) |  | 76,486  |  | 13,534  |  | 90,020  |
|  |  |  |  |  |  |  |

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

1. **Right-of-use assets**

|  |  |  |
| --- | --- | --- |
|  |  | **Right-of-use assets** |
|  |  |
| **Cost**  |  | **£'000** |
| **At 29 December 2019 (Audited)** |  | -  |
| Change in Accounting Policy (note 9) |  | 21,042  |
| **At 28 June 2020 (Unaudited)** |  | **21,042**  |
|  |  |  |
| **Depreciation** |  |  |
| **At 29 December 2019 (Audited)** |  | -  |
| Provided during the period  |  | 809  |
| **At 28 June 2020 (Unaudited)** |  | **809**  |
|  |  |  |
| **Net book value** |  |  |
| **At 28 June 2020 (Unaudited)** |  | **20,233**  |
| At 29 December 2019 (Audited) |  | -  |
|  |  |  |

During the period ended 28 June 2020 the Group adopted IFRS 16 for the first time and recognised right-of-use assets in relation to its property leases, see note 9 for further details.

1. **Share capital**

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 £0.10 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 £801,000 was credited to the share premium account.

1. **Change in Accounting Policies**

This note explains the impact of the adoption of IFRS 16 “Leases” on the group’s financial statements and discloses the new accounting policies that have been applied since 30 December 2019 in notes 9 (b) and 9 (c) below. Note 9 (c) discloses the accounting policy adopted in relation to Government grants which have been received for the first time as a result of COVID-19.

The group has adopted IFRS 16 retrospectively from 30 December 2019, using the modified retrospective approach, so has not restated comparatives for the 29 December 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 30 December 2019.

**9(a). Adjustments recognised on adoption of IFRS 16**

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.

|  |  |  |
| --- | --- | --- |
|  |  | **£'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: low-value/short-term leases recognised on a straight-line basis as expense |  |  (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  |
|  |  |  |

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.

The recognised right-of-use assets all relate to property leases.

The change in accounting policy affected the following items in the balance sheet on 30 December 2019:

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

The net impact on retained earnings on 30 December 2019 was £nil.

**Practical expedients applied**

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

the accounting for operating leases with a remaining lease term of less than 12 months as at 30 December 2019 as short-term leases.

**9(b). The group’s leasing activities and how these are accounted for**

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.

Up to 29 December 2019 the group only entered into operating leases and payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 30 December 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis.

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 reasonable certain to exercise that option; and
* payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee’s incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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.

Payments associated with short-term leases and leases of low-value assets are recognised one a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

**9(c). The group’s Government grants and how these are accounted for**

The group has received Government grants for the first time during the interim period ended 28 June 2020, mainly in relation to the Furlough 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.

The Government grants included as other operating income total £2,931,000 (2018: £nil).

1. **Events after the reporting period**

The Group has acquired a 14% stake in certain companies within the Mosaic Pub & Dining Group for a total cash consideration of £1.2 million.

The Group are still pursuing an insurance claim pertaining to Covid-19.