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22nd May 2019

City Fund - Tranche Two – May 2019 update

Dear Investor,

We hope you have had a good 2019 so far and as we approach summer, we are delighted to provide you with the latest update on Tranche Two of The City Pub EIS Fund; it has been another busy six months. To recap, the £28m funds raised over the period to March 2018 have been invested equally into Liberty, Phoenix and Summit (City) Pub Companies Ltd, all EIS-approved entities operating under the Mosaic Pub & Dining (www.mosaicpubanddining.com) brand managed by Peter McDonald and James Watson.

The companies have continued to make significant progress since last November's update. The portfolio has grown, with four new additions, and now stands at fourteen sites, with all but two of these trading, The Admiral Hardy in the centre of Greenwich and Crofton Park Tavern in Brockley are both expected to open next month following major refurbishments. Additionally, a further five sites have been agreed for purchase by the directors and are currently 'in legals'. Once under our ownership we believe these sites will take Tranche Two to a completely new level, both in terms of heightened profile and very significantly increased profitability. These transactions, if successfully completed, will mean the companies are virtually fully invested and a moderate amount of bank debt will also be introduced, while the disposal of two or three of the less profitable, leasehold sites in the estate is being considered.

Net sales for the 53-week financial year to March 31st were more than 100% up on the previous year at £5.9m, and were also marginally above budget. The period also saw double digit 'like-for-like' sales growth and we believe that continued good growth should be achievable across the estate over the next two to three years as the sites mature as businesses and continue to build loyalty in their local markets. It is just over two years since we traded our first site and we are pleased to be budgeting net profitability for the first time in this financial year ended March 29th 2020.

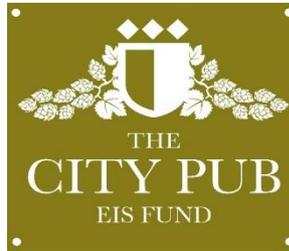
In conclusion, we are pleased with the progress during 2018/19 and we feel 2019/20 will be a transformatory year as our existing sites grow in maturity and the newer sites bring critical mass to take us to the next level.

Kind regards

Clive Watson
Investment Consultant

Peter McDonald
Joint CEO

James Watson
Joint CEO



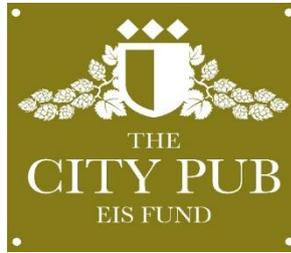
Estate update

The Liberty (City) Pub Company Ltd

- **The Oak Tavern and Tap House** (www.theoaksevenoaks.co.uk) 135 High Street, Sevenoaks TN13 1UP. Freehold, opened April 2017. The Oak has had a tremendous last nine months averaging growth of 35%; the team here have fostered a fantastic following in the community and the introduction of satellite sport has also been very successful.
- **Chapter** (www.chaptercanterbury.co.uk) 11-12 Burgate, Canterbury CT1 2HG. Leasehold, opened June 2017. Chapter has an excellent reputation and is regularly included amongst awards for the top pizza venues in Kent, however turnover and profitability remain relatively modest.
- **Drapers Arms** (renamed, ex Deakin's) (www.drapersarmscanterbury.co.uk) 1-2 Sun Street, Canterbury CT1 2HX. Freehold, opened December 2017. This site has yet to be a success and earlier this year it was renamed and repositioned to be more 'pubby' in order to attract more tourists and locals alike; the city's tourist trade during summer particularly is crucial.
- **Oystercatcher** (www.oystercatchergreenwich.co.uk) King's Lodge, 7 Victoria Parade, London SE10 9FR. This virtual freehold site situated next to the river at Greenwich has opened very promisingly with plenty more expected as we become better known and the summer arrives.
- **Admiral Hardy**, 7 College Approach, London SE10 9HY. Leasehold. Another Greenwich site situated adjacent to the famous market, it will include boutique bedrooms and a function room above, have room for forty covers inside the market and a fast-paced traditional food offering inside; we have high hopes that this will hit the floor running next month. Two years rent-free to February 2021.

Phoenix (City) Pub Company Ltd

- **The Old Coffee Tavern** (www.theoldcoffeetavern.co.uk) 16 The Old Square, Warwick CV34 4RA. Freehold, opened June 2017. Very good growth in 2018/19, a 28% increase on the prior year, looking to improve its conversion to profit this year.
- **The Running Horse** (www.therunninghorsealdgate.co.uk) Goodman's Fields, 7 Piazza Walk, London E1 8FU. Virtual freehold, opened October 2017. Another site with very pleasing growth in 18/19, up 19% and firmly established as the place to go in the wider Lemn Street area.
- **The Florence** (ex Edmunds Bar) (www.theflorencebirmingham.co.uk) 106-110 Edmund Street, Birmingham B3 2ES. Leasehold, opening December 2018. This site was a make-weight on The Rectory deal and after a good Christmas trading has been steady.
- **The Queen's Arms** (www.queensarmsbirmingham.co.uk) 150 Newhall Street, Birmingham B3 1RY. Leasehold, opened October 2018. This 'boozier' site was also a make-weight on The Rectory deal and again trading has been steady here.
- **The Rectory Bar** (www.therectorybirmingham.co.uk) 50-54 St Paul's Square, Birmingham B3 1QS. Virtual freehold, opened December 2018. This site has traded very steadily and we recently added a darts experiential offer '180 Club' in the basement function space which is drawing good reviews.



The Summit (City) Pub Company Ltd

- **Arthur's On The Green** (www.arthurspizza.co.uk) Twickenham TW2 5AB. Virtual freehold, opened February 2017. This small site has had a very successful 2018/19, growing sales by over 30% and great customer feedback. A little gem.
- **East Putney Tavern** (www.eastputneytavern.co.uk) 94-98 Upper Richmond Road, London SW15 2SP. Leasehold, opened December 2017. Trading continues to be successful and we are pushing dining sales in 2019/20 with a selection of in-house matured prime steak cuts; this has been one of our standout sites since opening and continues to impress.
- **Battersea Brewery** (www.batterseabrew.co.uk) Arches 753-754, Battersea Power Station, London SW11 8AB. Leasehold, opened November 2018. As anticipated this site commenced trading modestly, with growth expected to rapidly accelerate in 2020/21 when 20,000 Apple employees occupy the power station next door and the two nearby tube stations open. However, recent trade has already been very encouraging, with two record weeks this month which augurs well for the future.
- **The Royal Oak** (www.royaloaknewmalden.co.uk) 90 Coombe Road, New Malden KT3 4RD. Freehold, opened April 2019. This lovely 9,000 sq foot Victoriana community pub opened last month following our refurbishment, and we are delighted with the initial reception from the locals, who have established us on a very firm footing with more expected to come from weddings and events in the function room upstairs and the large back garden.
- **Crofton Park Tavern** 330 Brockley Road, Brockley, London SE4 2BT. Freehold, opening June 2019. This site is in an under-pubbed part of South East London, close to the eponymous train station. There is a lot of local excitement about our refurbishment which will introduce a premium bar appealing to a broad cross-section of the area, which is both increasingly affluent and densely populated. Knowing the area well we are excited by the trading prospects. Additionally, the site income is augmented by significant rental income from the upper parts.