



2 Wardrobe Place  
London EC4V 5AH

June 2020

### **City Fund - Tranche Two update**

Dear Investor,

We herewith provide our bi-annual update for Tranche Two of The City Pub EIS Fund, consisting of The Liberty (City) Pub Company Ltd, Phoenix (City) Pub Company Ltd and The Summit (City) Pub Company Ltd, which trade under the Mosaic Pub & Dining brand ([www.mosaicpubanddining.com](http://www.mosaicpubanddining.com)).

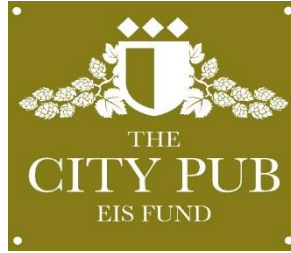
The last financial year ended 29<sup>th</sup> March 2020 has been a period of growth for our companies. We have spent much of the year focussing on building our estate and further establishing our pubs and refining their offers, and we are confident that the estate is well-positioned to push on again once normalised trading becomes possible. Trading in the period was generally satisfactory. We were up against tough comparatives with the previous year enjoying excellent summer weather and a World Cup tournament which included seven England games, while poorer weather, Brexit uncertainty and the Coronavirus all impacted 2019/20.

Turnover for the 52 weeks was £13.58m, an increase of 124% on the prior (53 week) period. The last three weeks of the trading period were seriously impacted as a result of Covid-19. Gross profit margin improved to 72.1% thanks to stronger buying and better stock management at site level. The Companies' EBITDA before management charges was £0.62m, £0.63m above the prior period. During the period, the companies acquired two Balls Brothers sites in the City at Minster Court and Austin Friars, The Sterling based at St Mary Axe (The Gherkin) and The Lockside Lounge in Camden. All four sites are excellent, busy venues and have added significantly to turnover and profitability. Three other sites were opened following refurbishment, The Admiral Hardy and The Oystercatcher in Greenwich and The Crofton Park Tavern in South London, all of which have commenced trading promisingly. One small, less profitable site has been earmarked for disposal and is currently in legal. Once this deal is concluded this will leave a balanced estate of 18 freehold and leasehold sites. Our sites are all in very good condition with strong management in place.

Since the horrendous day of March 20<sup>th</sup> when our pubs were forced to cease all activities, we have been focussing on cash preservation and liquidity to ensure we are able to weather an extended period of reduced trading. We have taken advantage of the government's Job Retention Scheme, local government grants, business rates relief and the VAT payments freeze, all of which have been of great help. We are currently continuing negotiations with suppliers and our landlords and we are confident that we will be able to negotiate additional discounts and rent-frees/rent deferrals.

Our executive directors have taken pay cuts and have deferred their bonuses. Our non-executive directors have waived their fees since April 1st and this will be reviewed once our pubs reopen.

Our current debt of £5.25m gives gearing of 19% on normalised valuations. Given the freehold nature of the trading portfolio we feel there is strong asset-backing. Additionally, we have bank reserves of well over £1m which means liquidity is strong. Many cost-cutting initiatives are being introduced to ensure we are working on a zero-cost basis and justifying every expenditure. We have streamlined operations which will simplify the



running of the pubs when they re-open and reduce costs. Our 'cash burn' is low and we believe we are well-positioned for the coming months; however, should our cash reserves deteriorate significantly we would not hesitate to dispose of a freehold asset in order to raise additional funds with which to safeguard the businesses' future.

At normalised trading our estate has a valuation of circa £29m, which equates to 90p per share, with much upside still to come from our young estate. However, the almost unprecedented recent events have inevitably impacted on value in the short to medium-term. The listed markets show that sector companies' values have fallen from between 30% to 70% over the past two months. These companies additionally have the advantage of having access to raising further equity via share placings, which clearly we do not have. We have therefore assumed a fall in our net asset value (NAV) of around 50%. It is a serious and challenging set of circumstances, however we have strong, highly-experienced management who have successfully navigated previous major economic downturns, and we are quite clear in our vision to take the businesses on to high profitability and restore shareholder value. It will take in the region of three years to restore value lost through Covid-19.

Rest assured that we will take all measures necessary. If you have any questions with regards to the above, please email [clivewatson@citypubcompany.com](mailto:clivewatson@citypubcompany.com). We also recommend that you talk to your independent financial adviser (IFA). Meanwhile, we wish you all good health and safe passage over the coming weeks and months, and we look forward to updating you later in the year, when it is hoped we will be both open and growing our businesses once again.

Kind regards

**Clive Watson**  
Investment Consultant

**Peter McDonald**  
Joint CEO

**James Watson**  
Joint CEO



## **Tranche Two Estate**

- **The Oak Tavern and Tap House** ([www.theoaksevenoaks.co.uk](http://www.theoaksevenoaks.co.uk)) 135 High Street, Sevenoaks TN13 1UP.
- **Chapter** ([www.chaptercanterbury.co.uk](http://www.chaptercanterbury.co.uk)) 11-12 Burgate, Canterbury CT1 2HG.
- **Drapers Arms** ([www.drapersarmscanterbury.co.uk](http://www.drapersarmscanterbury.co.uk)) 1-2 Sun Street, Canterbury CT1 2HX.
- **Oystercatcher** ([www.oystercatchergreenwich.co.uk](http://www.oystercatchergreenwich.co.uk)) King's Lodge, 7 Victoria Parade, London SE10 9FR.
- **Admiral Hardy** ([www.admiralhardygreenwich.co.uk](http://www.admiralhardygreenwich.co.uk)) 7 College Approach, London SE10 9HY.
- **The Sterling** ([www.thesterlingbar.co.uk](http://www.thesterlingbar.co.uk)) 30 St Mary Axe, London EC3A 8BF.
- **The Old Coffee Tavern** ([www.theoldcoffeetavern.co.uk](http://www.theoldcoffeetavern.co.uk)) 16 The Old Square, Warwick CV34 4RA
- **The Running Horse** ([www.therunninghorsealdgate.co.uk](http://www.therunninghorsealdgate.co.uk)) Goodman's Fields, 7 Piazza Walk, London E1 8FU.
- **The Florence** ([www.theflorencebirmingham.co.uk](http://www.theflorencebirmingham.co.uk)) 106-110 Edmund Street, Birmingham B3 2ES.
- **The Queen's Arms** ([www.queensarmsbirmingham.co.uk](http://www.queensarmsbirmingham.co.uk)) 150 Newhall Street, Birmingham B3 1RY.
- **The Rectory Bar** ([www.therectorybirmingham.co.uk](http://www.therectorybirmingham.co.uk)) 50-54 St Paul's Square, Birmingham B3 1QS.
- **Balls Brothers, Austin Friars** ([www.ballsbrothers.co.uk/locations/austin-friars/](http://www.ballsbrothers.co.uk/locations/austin-friars/)) 10-11 Austin Friars, London EC2N 2HG.
- **Balls Brothers, Minster Court** ([www.ballsbrothers.co.uk/locations/minster-court/](http://www.ballsbrothers.co.uk/locations/minster-court/)) Minster Court, 3 Mincing Lane, London EC3R 7PP.
- **Arthur's On The Green** ([www.arthurspizza.co.uk](http://www.arthurspizza.co.uk)) Twickenham TW2 5AB.
- **East Putney Tavern** ([www.eastputneytavern.co.uk](http://www.eastputneytavern.co.uk)) 94-98 Upper Richmond Road, London SW15 2SP.
- **Battersea Brewery** ([www.batterseabrew.co.uk](http://www.batterseabrew.co.uk)) Arches 753-754, Battersea Power Station, London SW11 8AB.
- **The Royal Oak** ([www.royaloaknewmalden.co.uk](http://www.royaloaknewmalden.co.uk)) 90 Coombe Road, New Malden KT3 4RD.
- **Crofton Park Tavern** 330 Brockley Road, Brockley, London SE4 2BT ([www.croftonparktavern.co.uk](http://www.croftonparktavern.co.uk))
- **Lockside Lounge** 75-89 Upper Walkway, Camden Lock Place, London NW1 8AF ([www.locksidecamden.com](http://www.locksidecamden.com))