14 May 2019

Ei Group plc

Unaudited Interim Results for the six months ended 31 March 2019

Good operational and financial progress delivering growing shareholder value

Ei Group plc (EIG or Group), the largest owner and operator of pubs in the UK, today announces its results for the six months ended 31 March 2019.

Financial highlights

- Growth in underlying EBITDA# to £140 million (H1 2018: £139 million)
- Underlying profit before tax# increased to £59 million (H1 2018: £57 million)
- Completion of the disposal of 348 commercial property assets for net proceeds of £332.7 million, in line with the tangible net book value of the assets and representing a 13 times multiple of earnings
- Statutory profit after tax of £9 million (H1 2018: £37 million), after non-underlying charges of £40 million (H1 2018: £10 million), largely relating to the allocation of £31 million (H1 2018: £4 million) of goodwill to property disposals
- Basic earnings per share of 1.9p (H1 2018: 7.9p) which, adjusting for non-underlying items, delivers underlying earnings per share# of 10.8p (H1 2018: 9.8p)
- Net asset value of £3.32 per share (H1 2018: £3.26 per share)
- Announcement of additional £30 million share buyback to deliver a total programme of £85 million in the current financial year

Operational progress

- Publican Partnerships
  - Like-for-like net income# up 1.9% (H1 2018: up 0.6%) with growth across all geographic regions
  - Average annualised net income per pub# up 2.7% to £83,100 (H1 2018: £80,900)
- Managed Pubs
  - Like-for-like sales# growth of 6.0% (H1 2018: up 6.6%) across our largely wet-led managed house businesses
  - Managed Operations - growth on track with 357 (H1 2018: 276) pubs trading within our wholly-owned managed division
  - Managed Investments - continued progress with 62 (H1 2018: 43) pubs trading with 11 specialist partners
- Commercial Properties
  - Total portfolio of 83 (H1 2018: 351) properties of which 22 are expected to be sold, subject to superior landlord consent, for £11.4 million over the coming months
  - The retained portfolio of 61 properties generates net annualised rental income of £4 million with average annualised net income per property# of £65,600 (H1 2018: 351 properties generated net annualised rental income of £25 million with average annualised net income per property of £68,600)

Capital allocation

- Revised capital allocation framework to maintain debt reduction whilst facilitating increased returns to shareholders
- Strong net cash flows from operating activities of £132 million (H1 2018: £125 million)
- Ordinary course disposal proceeds of £22 million (H1 2018: £34 million) partially funded capital investment of £45 million (H1 2018: £42 million)
- Undrawn bank facilities of £150 million at 31 March 2019
- Net debt reduced to £1.7 billion (H1 2018: £2.1 billion)

Commenting on the results, Simon Townsend, Chief Executive Officer, said:

"We are pleased with the trading performance of our Group for the first half of the year. We continue to deliver sustained like-for-like net income growth within our core Publican Partnerships business and are generating strong returns as we expand our Managed Operations and Managed Investments businesses.

Despite an environment of unprecedented political uncertainty and inflationary pressure from increases in the national minimum and living wage, consumers continue to support their local pub. This consumer resilience, combined with excellent operational execution and effective capital investment, provides us with the confidence that we can maintain our growth momentum for the year as a whole, despite some challenging comparative trading periods ahead of us in June and July.

The completion of the disposal of 348 commercial properties in March represented a significant milestone for the Group. We have demonstrated our ability to grow value through the transfer of assets to their optimum use and then to unlock that value through monetisation providing evidence of our strategy in action. We are using the significant cash proceeds received from the transaction to accelerate our debt reduction plans and to deliver value to our shareholders. We are pleased to announce today a further £30 million share buyback programme, in addition to the £55 million programmes previously announced in this financial year."

Enquiries: Simon Townsend, Chief Executive Officer 0121 272 5000
Neil Smith, Chief Financial Officer 0121 272 5000
Tulchan Communications, Jonathan Sibun / Jessica Reid 020 7353 4200

The Interim Results presentation will be available on the Company website at www.eigroupplc.com. A live video webcast of the presentation will be available on the investor zone section on the above website from 9.30am. Alternatively, a live conference call of the presentation can be accessed at 9.30am by dialling +44 (0) 20 3003 2666 or 1 866 966 5335 (USA callers). A replay of the conference call will be available for seven days on +44 (0) 20 8196 1998 and 1 866 595 5357 (USA callers) using replay passcode 7528833#.

 # Alternative Performance Measures (APMs)
In the reporting of financial information throughout these results, the Directors have adopted various APMs that are not required by, or presented in accordance with, International Financial Reporting Standards as adopted by the European Union ("**IFRS**") or any other Generally Accepted Accounting Standards. These non-IFRS measures are presented in order to provide important alternative measures with which to assess the Group's underlying trends, performance and position and to present additional information that reflects how the Directors monitor and measure the progress of the Group. You should not consider these measures as alternatives for IFRS measures and you should be aware that our calculations of these measures may be different from the calculation used by other companies and, therefore, comparability may be limited. Further details and definitions of the APMs included in this announcement, including reconciliation to reported measures can be found in notes 4, 5, 6 and 14.

Forward-looking statements
This announcement contains certain statements about the future outlook for EIG. Although we believe that our expectations are based on reasonable assumptions, any statements about future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

OPERATIONAL AND STRATEGIC REVIEW

Overview
We are pleased to report our interim results for the six months ended 31 March 2019, during which period we have delivered underlying EBITDA of £140 million, ahead of the comparative period and the first time we have achieved growth in underlying EBITDA for many years. Underlying profit before taxation was £59 million, up £2 million on the comparative period as lower interest costs, resulting from reduced levels of debt, have offset higher depreciation charges.

The Group continues to make good progress in each of its three reportable segments: Publican Partnerships, our leased and tenanted business; Commercial Properties, our free-of-tie and non-pub property business; and Managed Pubs, which includes Managed Operations that are 100% owned by the Group and Managed Investments that are joint ventures with experienced retail partners.

Our Publican Partnerships business remains our core operation, generating approximately two-thirds of Group revenue, and the business has continued to deliver growth in like-for-like net income across the estate throughout the first half of the financial year. The trading performance of this business has been very consistent for the last four years and we expect this resilience to be sustained as we continue to deploy capital into growth opportunities across the estate and deliver a substantial range of services and support to our publicans. Our operations team has accommodated the ongoing requirements of the Pubs Code Regulations 2016 (the "Pubs Code") which came into effect in July 2016, whilst at the same time providing the source of assets to transition to our alternative operating models.

The fastest growing part of our Group is the managed businesses. As at 31 March 2019 we had 419 (H1 2018: 319) managed pubs and we expect this to grow further, to around 460-470 managed pubs, by 30 September 2019. Pubs are transferred to our managed businesses from Publican Partnerships, usually supported by significant investment in the pub, delivering increased diversity, predictability and scale of earnings to the Group. We have an established process of asset management that effectively and efficiently transfers in the region of 100-120 pubs a year to our managed businesses and we expect this rate of transition to continue for the foreseeable future. As we develop the scale of our managed operations we are growing our operational knowledge and capability and are able to bring more examples of best practice to our leased and tenanted pub business, as well as utilising our purchasing scale to greater effect to help our publicans increase their sales and reduce their costs.

We have substantially grown our commercial properties business over the last few years, primarily through the transfer of pubs from our tied Publican Partnerships business to pubs operating on free-of-tie agreements. Our strategy for the commercial properties business is to transfer assets into it when we believe this will optimise value and then, as demonstrated by the recent transaction, we will monetise the portfolio through disposal. This value-led strategy is likely to be repeated as we expect to convert a further 40-50 assets a year for the foreseeable future.

We anticipate that, over time, the Group will realise additional proceeds from the monetisation of commercial properties and our Managed Investments joint ventures, which will then be deployed to create further value through repayment of debt, investment in our retained businesses and delivering returns to shareholders.

We have continued to evolve the central infrastructure of the Group to accommodate the requirements of our strategic plan, building resources and capability in the growing managed businesses whilst at the same time lowering the overhead costs associated with the reducing scale of our leased and tenanted operations. We are investing in our people and in our systems capability and were delighted to receive an Investors in People Gold Standard accreditation, reflecting our continuing commitment to the development of our people.

Publican Partnerships

Publican Partnerships, the trading name for our tied leased and tenanted business, contributed £143 million (H1 2018: £151 million) to the underlying EBITDA of the Group reported in the six months to 31 March 2019.

As at 31 March 2019, we had 3,555 (H1 2018: 3,856) pubs trading within the leased and tenanted estate with average annualised net income per pub growing by 2.7% to £83,100 (H1 2018: £80,900). We delivered like-for-like net income growth of 1.9% (H1 2018: 0.6%) through the first six months of the financial year with growth being achieved across all geographic regions. This performance is pleasing but we acknowledge that the comparative period delivered a relatively weak trading result as, despite the earlier Easter holiday period benefiting the first half comparative period, its impact was significantly muted by heavy snowfalls and generally severe weather throughout much of March 2018.

Location	No. of trading pubs at 31 March 2019	Net income H1 FY19 £m	% of total net income H1 FY19	Net income H1 FY18 £m	Net income change H1 FY19 %
North	987	36.9	26	36.3	1.7
Midlands	711	25.5	18	25.1	1.6
South	1,857	79.8	56	78.1	2.2
Total	**3,555**	**142.2**	**100**	**139.5**	**1.9**

Like-for-like net income growth in the leased and tenanted business has been maintained through the great work of our publicans supplemented by our business-developing support and our desire to invest capital alongside the best publicans to improve trading performance by enhancing the retail offer.

We provide our tied leased and tenanted publicans with a broad range of services to help them increase sales and reduce costs, and to operate their pubs efficiently and effectively. Our growing managed businesses are now providing us with additional insight, experience and best practice with which to further enhance the support we can provide to tied publicans in the Publican Partnerships business. This includes the use of sophisticated segmentation analysis to help inform our publicans of local demographic trends and competitor activity so that they are well placed to adapt their retail offer to meet the needs of current and future customers. This knowledge also enables us to establish, with our publicans, the most appropriate product and pricing range for their business.

We are also using our scale to secure commercial deals for our publicans that may otherwise be unattainable to them. Most recently this has included providing some 250 of our publicans with an affordable sports viewing subscription service and marketing support package that enables them to promote live sports in their business. This increasingly proactive approach to business enhancement is most evident in our Beacon estate which comprises 256 value, wet-led pubs and which delivered like-for-like net income growth of 9.6% (H1 2018: 6.8%). Our Beacon offer has scope for further expansion both as a tenanted operation and as an incubator for our Craft Union business, with 77 pubs that were previously in our Beacon estate having transferred successfully into that managed operation over the last few years.

The ability to assist publicans during periods of economic challenge remains a key attribute of the business model operated by our Publican Partnerships business. The proactive intervention of our regional managers to identify and then avoid potential business failures is particularly important. There has been a modest increase in the number of unexpected business failures with 44, or 2.2% of the estate, (H1 2018: 30, or 1.3% of the estate) suffering such failure in the period. Where appropriate we continue to provide direct financial assistance to tied publicans and this cost remains stable at £2 million in the first six months of the year (H1 2018: £2 million).

We are effectively managing the requirements of the Pubs Code and will positively participate in the review of the Pubs Code which was announced on 30 April 2019. We believe that, despite the inevitable teething problems associated with the introduction of new legislation, there is clear evidence that the Pubs Code is having the effect that was intended by legislators, providing tied publicans with a genuine option to consider transferring their agreements to free-of-tie terms at specified trigger events during the life of their contractual agreements.

From the date of its introduction to 31 March 2019, there were 1,415 rent review or agreement renewal events which could potentially have triggered a Market Rent Only (“MRO”) request. As required under the Pubs Code, we have accepted 344 MRO requests from publicans, of which 195 have been concluded by way of mutually agreed tied deals and 34 have resulted in new mutually agreed free-of-tie terms. In addition, 33 requests have been resolved by some other action, including the publican purchasing the pub or selling their lease to us, with the balance of 82 not yet concluded. Of these unresolved requests, 40 have been referred to the Pubs Code Adjudicator for determination. It remains our working assumption that the majority of those cases which have been referred to the Adjudicator will ultimately lead to new, free-of-tie agreements being granted.

For the 1,415 pubs referred to above there are 946, that we still own and which are still operated by the same publican on either tied or new free-of-tie agreements and in the half year to 31 March 2019 these pubs delivered like-for-like net income growth of 1.1% compared to the prior period. The growth in our income for this group of pubs has not been as strong as the like-for-like net income growth of 1.9% achieved for the total estate reflecting, in part, the stronger negotiating position for publicans which the Pubs Code sets out to achieve. We are encouraged, whilst 17 publicans have opted for free-of-tie terms, 929 publicans have opted to remain on tied terms, reflecting the attractiveness of the many substantial benefits that tied publicans can receive from us during the life of their tied agreement.

Managed Pubs
Our largely wet-led managed pubs contributed £20 million (H1 2018: £11 million) to the underlying EBITDA of the Group reported in the first half of the year, with those sites that traded as managed pubs throughout both this period and the prior comparable period delivering like-for-like sales growth of 6.0% (H1 2018: 6.6%). We are operating a significant managed house business and are pleased with the progress made to date.

The current level of managed house conversions reflects the profile of opportunities that arise and represents an efficient transition pipeline. As such, looking forward, we expect to maintain a similar level of asset transition, converting in the region of 100-120 pubs per annum to managed formats. We expect to be operating approximately 460-470 managed pubs by 30 September 2019.

Profile of pubs under management:	Actual as at 31 March 2018	Actual as at 30 September 2018	Actual as at 31 March 2019
Managed Operations	276	308	357
Managed Investments	43	47	62
Total Managed Pubs	**319**	**355**	**419**

Managed Operations:
Our Managed Operations business represents our 100% owned managed pubs which are traded in two unbranded formats.

The Craft Union format has national coverage as a leading scale operator of community pubs, with one clear retail offer that is drinks-led with quality beers, at affordable prices, served in local, well-invested facilities. In the summer of this year we will complete the refurbishment of the historic Wakefield and Barnsley Union Bank building in Wakefield. The refurbishment will incorporate a new Craft Union pub, the Union Bank, and will also accommodate the Craft Union support team and provide first class training facilities for the entire Ei Group. This investment is an important milestone in the development of Craft Union as a leading community pub operator.

Our Bermondsey format also operates nationally but has a more flexible retail offering, which can incorporate an element of food and is increasingly tailored to reflect the pre-existing retail offer and consumer occasion. During the first half of the year, within our Bermondsey business, we have recruited our own in-house food development team and service trainers, which has enabled us to reduce our dependence on third party support and further demonstrates our commitment to enhancing the retail skills of the business.

As at 31 March 2019, we had 303 (H1 2018: 165) pubs operating within Managed Operations that had been invested in and traded for more than six months. To that date, these pubs generated average annualised site EBITDA of £111,000 (H1 2018: £99,000) from an average capital investment of £161,000 (H1 2018: £157,000), which delivered an ROI of 25% (H1 2018: 21%). As the estate continues to mature we would expect our

Managed Operations sites to continue to generate average site EBITDA in the region of £100,000 to £115,000. After an average capital investment in the region of £155,000 to £165,000, we expect to continue to deliver an ROI in excess of 20%.

Managed Investments:
In our Managed Investments business, we have developed a partnership model whereby we can work with carefully selected managed house operators to share in the benefits of trading in certain high quality and specialist retail segments. While we may selectively grow the number of partners with whom we are operating, our primary focus is to grow the scale of our existing partners, and to enhance the quality of trading operations with the strategic intention of monetising their value at the appropriate time.

As at 31 March 2019, we had 41 (H1 2018: 21) pubs operating within our Managed Investments business that had been invested in and traded for more than six months and these pubs to that date generated average annualised site EBITDA of £202,000 (H1 2018: £198,000), from an average site capital investment of £324,000 (H1 2018: £431,000), which delivered an ROI, after the relevant partner's minority interest, of 22% (H1 2018: 16%). As we evolve and grow the Managed Investments business we expect the average capital investment to be in the region of £300,000 to £400,000 with average site EBITDA to be in the region of £175,000 to £225,000, which we expect to continue to deliver an ROI in excess of 20%.

Commercial Properties
Following the launch of the Group's new strategy in May 2015 we have delivered rapid growth in the commercial property portfolio as we have transferred assets, predominately from our leased and tenanted business, in order to optimise value. In March 2015 we operated just 185 commercial properties at an average annual rental income per property of £56,000 and by 30 September 2018 we had grown this portfolio to 412 properties earning an annual average rental income per property of £71,000. The expansion of this high quality commercial property portfolio was largely achieved through open market negotiations with exceptional operators offering good covenant strength, running highly profitable businesses in well-located properties.

In 2018, reflecting our value-led approach, we appointed Rothschild & Co to assist us to explore various possible routes to optimise value from our commercial property portfolio. This process led to the announcement on 11 January 2019 that we had entered into sale agreements, subject to shareholder approval, with a subsidiary of Davidson Kempner Capital Management LP in relation to 370 commercial properties for an expected gross aggregate consideration of £348 million. On 14 March 2019 we completed the sale of the first tranche of this disposal, comprising 348 of the 370 commercial properties to be sold, for net proceeds of £332.7 million. Completion of the sale of the remaining 22 commercial properties, the gross proceeds of which will in aggregate amount to £11.4 million, remains subject to superior landlord consent and each sale will only complete should the relevant consent be obtained.

We were pleased to have completed this transaction and are satisfied with the price achieved, which represented a 13 times multiple of earnings and was in line with the net book value of the assets, before allocated goodwill, and which reinforces our confidence in the robustness of the tangible net asset value of the Group.

A significant proportion of the proceeds from the transaction will be used to reduce the level of the Group's outstanding debt, accelerating the delivery of the Group's medium-term target leverage ratio of 6.0 times net debt to EBITDA. In addition the transaction has enabled the Board to consider more immediate returns to shareholders. On 14 March 2019 we announced the return of up to £35 million to shareholders via a further share buyback programme, which was in addition to the £20 million programme that had completed on 22 January 2019. Today we announce the return of up to an additional £30 million such that the total share buyback programme approved for the current financial year is up to £85 million.

The 370 commercial properties involved in the recent monetisation transaction contributed £26 million to Group EBITDA in the financial year to 30 September 2018 and £12 million in the six months to 31 March 2019.

As at 31 March 2019 we had 83 properties within our Commercial Properties division, representing 37 sites which we held at 30 September 2018 that were not included in the disposal, 22 leasehold sites that we aim to sell as part of the disposal, subject to superior landlord consent being obtained, and 24 additional sites that have been added to the portfolio during the course of the first half of the year. We plan to add a further 20-30 sites during the second half of the year and would expect to add 40-50 commercial properties to the portfolio each year for the foreseeable future. The rebuilding of the commercial property portfolio, putting assets to their optimal use, remains a core element of our value creation strategy and will present us with future opportunities for additional monetisation events.

OUTLOOK

Last year the Easter holiday period was in the final week of the first half of our financial year whereas this year the later Easter has helped ensure the second half of our financial year has started well and current trading is in line with our expectations.

Continued consumer resilience, combined with excellent operational execution and effective capital investment into our flexible business models, provides us with the confidence that, despite some challenging comparative trading periods ahead of us in June and July, we can maintain our growth momentum for the year as a whole.

FINANCIAL REVIEW

Income statement

	Underlying 31 March 2019 £m	Underlying 31 March 2018 £m
Revenue	**353**	330
Operating costs before depreciation and amortisation	**(213)**	(191)
EBITDA	**140**	139
Profit before tax	**59**	57
Earnings per share	**10.8p**	9.8p

In the six months to 31 March 2019 we delivered underlying EBITDA of £140 million slightly ahead of the prior half year. Within Publican Partnerships, our leased and tenanted business, like-for-like net income, the primary component of our underlying EBITDA, is derived from our rental income and our net income from the sale of beer and other products to our publicans. Adjusted for the effect of disposals we saw our like-for-like leased and tenanted net income grow to £142 million (H1 2018: £140 million). Our like-for-like net income from rent increased by £1 million and our net income from beer supply grew by £1 million driven by stable volumes, pricing and mix benefits.

The growth in scale of our managed operations is increasingly evident in the financial performance of the Group as our managed businesses contributed £20 million in the first half of the year (H1 2018: £11 million).

Underlying administrative costs in the period were £22 million (H1 2018: £21 million), reflecting the additional capabilities and resources required to support the growth of our managed businesses. We expect current year underlying administrative costs to be in the region of £45-£46 million.

Underlying net finance costs of £71 million were £2 million lower than the prior half year as a result of our planned debt reduction. We expect current year underlying net finance costs to be in the region of £136-£138 million.

Total pre-tax non-underlying charges were £46 million (H1 2018: £12 million) comprising £1 million (H1 2018: £1 million) in respect of financing costs; £44 million (H1 2018: £8 million) in respect of property net charges, and £1 million (H1 2018: £3 million) of other charges. The property charges were made up of £5 million (H1 2018: £6 million) arising from the revaluation of assets on transfer to non-current assets held for sale; a loss on the disposal of property (before goodwill allocation) of £8 million (H1 2018: profit £2 million) and a £31 million (H1 2018: £4 million) charge relating to goodwill allocated to those disposals. The other charges in the period related to £1 million (H1 2018: £3 million) of surrender premiums paid to publicans to recover control of our pub assets.

Total tax in the period was a charge of £4 million (H1 2018: £8 million), representing a charge of £10 million (H1 2018: £10 million) on the underlying trading profit and a credit of £6 million (H1 2018: £2 million) relating to the tax on non-underlying items. The effective tax rate on the underlying trading profits arising in the period was 17.5% (H1 2018: 18.0%), which is in line with our estimated effective tax rate for the current financial year.

Statutory profit after taxation was £9 million (H1 2018: £37 million) which reflects the stable underlying profit of the business and impact of the non-underlying items detailed above.

Underlying earnings per share (EPS) of 10.8p, were up 1.0p on the prior half year. Basic EPS was 1.9p compared to 7.9p in the prior half year, primarily due to the impact of non-underlying charges.

Cash flow

Net cash flow from operating activities at £132 million (H1 2018: £125 million), was up on the prior half year as higher earnings and improved working capital cash flows offset increased tax payments in the current period, as the prior period benefited from repayments from HMRC in respect of prior year overpayments and capital allowance claims.

We reinvested our net proceeds from ordinary course disposals of £22 million (H1 2018: £34 million) into capital investment in the estate, partially funding the £45 million (H1 2018: £42 million) invested in the half year. We expect our net proceeds from ordinary course asset disposals for the current year to be in the region of £45 million and plan for that to reduce to around £35-£40 million per year for the foreseeable future.

On 14 March 2019 we received £332.7 million from the disposal of 348 commercial properties, of which £175.8 million related to the sale of commercial properties within the Unique securitisation. These proceeds are expected to be used in the full prepayment of the Class A3 Notes, part prepayment of the Class A4 Notes and in meeting associated costs, which are estimated at approximately £14 million, arising on the prepayment of the Class A3 and Class A4 Notes. Prepayment is expected to take place on 28 June 2019, the earliest possible date according to the requirements of the securitisation documentation. As at 31 March 2019 these funds were held on deposit pending application towards the June prepayment.

The proceeds from the sale of commercial properties not held within the securitisation have been used to repay the outstanding balance of £35 million on the bank term loan facility and repay £115 million drawn under the Group's revolving credit facility agreement such that as at 31 March 2019 the facility is undrawn.

Total capital investment in the half year was £45 million (H1 2018: £42 million), of which 54% (H1 2018: 52%) was directed towards income growth opportunities. We target an ROI in excess of 15% on our growth-oriented capital expenditure and achieved an average ROI of 18% (H1 2018: 17%) on all such schemes delivered over the twelve months to 31 March 2019. We anticipate the total capital investment for the current year will be in the region of £80 million and expect that for the foreseeable future capital investment will be in the region of £75-£80 million per year.

Financing cash flows of £262 million (H1 2018: £118 million), primarily reflect interest paid of £73 million (H1 2018: £72 million), net loan repayments of £159 million (H1 2018: £20 million), net share repurchases of £28 million (H1 2018: £21 million), bond purchases and refinancing costs of £2 million (H1 2018: £5 million).

Capital allocation
We generate significant cash flows from trading activities supplemented by the proceeds of ordinary course disposals, predominantly of under-performing assets. We plan to continue to reduce the level of our outstanding debt towards our medium-term leverage targets of around 6.0 times net debt to EBITDA but also to provide a balance between additional value-enhancing investment opportunities and more immediate returns to shareholders.

The successful monetisation of the commercial property portfolio has enabled us to achieve deleveraging of the balance sheet by applying a significant proportion of the proceeds to debt reduction. In addition, this debt reduction has materially reduced our near-term scheduled debt amortisation requirements which provides the Group with greater flexibility and headroom with regard to the use of future cash generated.

In light of these enhancements we have reviewed our capital allocation framework to ensure it provides an appropriate mechanism for the allocation of future cash generation. As we look forward, we will aim to return around 50% of available annual cash flow to shareholders. Available cash flow is defined as operating cash flow less interest and scheduled debt amortisation. The remaining 50% of available cash flow will be retained in the business to fund capital investment expenditure, in excess of ordinary course disposal proceeds, and other corporate requirements. In addition to these returns from the normal operation of the business, when we capture value from future monetisation of commercial properties and managed investments, we will aim to return around 20% of such proceeds to shareholders with the balance used largely for further debt reduction.

This desire to return value to shareholders has been demonstrated by our share buyback programme in the current financial year. In November 2018 we determined that the best use of £20 million of cash flow expected to be generated in the financial year to 30 September 2019 was to fund a share buyback programme. This programme commenced on 20 November 2018 and was completed on 22 January 2019 having purchased 10.6 million shares for cancellation at an average price of 189p per share.

Following the announcement of the completion of the first tranche of the commercial property portfolio disposal on 14 March 2019, the Board approved the return of up to an additional £35 million to shareholders via a further share buyback programme, of which, as at 31 March 2019, we had spent £5 million having purchased 2.1 million shares for cancellation at an average price of 213p per share. The Board has today approved a further share buyback of up to £30 million such that, in accordance with our revised capital allocation framework, approximately 20% of the net proceeds from the commercial property portfolio disposal will have been returned to shareholders.

Balance sheet
Our balance sheet remains strong with a total net asset value of £1.50 billion (H1 2018: £1.52 billion), primarily represented by £3.28 billion (H1 2018: £3.62 billion) of property assets offset by net debt of £1.7 billion (H1 2018: £2.1 billion). The property asset valuation reflects the valuation undertaken as at 30 September 2018. The Unique property estate is valued by Colliers International and the assets that secure the EIG corporate bonds are valued by GVA Grimley Limted (trading as Avison Young) with the balance of the estate valued internally. The basis of the valuation is consistent with the prior year with 95% of the property portfolio valued by independent external valuers. We have been advised by our external valuers that there is no market evidence to suggest that these property valuations would be materially different as at 31 March 2019.

The share price at 31 March 2019 of £2.13 (H1 2018: £1.15), which equates to an equity value of £964 million (H1 2018: £537 million), compares to a net asset value per share of £3.32 (H1 2018: £3.26). We believe that the continued successful execution of our strategic plan, which aims to optimise the use and value of our asset portfolio, should continue to reduce this value differential.

Capital structure
We have a long-term, secure, flexible and tax-efficient financing structure comprising bank borrowings, securitised notes and corporate bonds. We are a cash generative business and have, over the past few years, used cash flows to reduce debt and fund share buybacks. During the period we have used cash generated by the business along with the proceeds from disposals to materially reduce total net debt, which at 31 March 2019 was £1.7 billion (H1 2018: £2.1 billion).

Corporate bonds
As at 31 March 2019 we had £1,025 million (H1 2018: £1,125 million) of secured corporate bonds outstanding which are non-amortising, secured against ring-fenced portfolios of properties and attracting fixed interest rates averaging approximately 6.4% (H1 2018: 6.4%). On 6 December 2018 we repaid £100.5 million of corporate bonds at par at maturity from available resources including our bank facilities and bank term loan.

In addition to the secured corporate bonds, we have an issue of £150 million bonds that were issued on 25 September 2018. These bonds are not secured over properties, have an interest rate payable of 7.5% and a maturity date of 15 March 2024. The bonds contain a covenant package restricting certain aspects of our business that is customary for bonds of this type. In general, the covenants are incurrence-based and therefore apply when certain corporate activities occur, such as asset disposals. Amongst other things, in relation to disposals, the covenant package allows for up to 20% of the proceeds from the disposal of non-tied pubs to be released to equity.

Bank borrowings
As at 31 March 2019 we had no drawn bank borrowings (H1 2018: £75 million) and held £25 million of company cash (H1 2018: £27 million). We have bank revolving credit facilities of £150 million available to August 2022 bearing interest at a rate per annum of LIBOR plus 3% on any drawn amounts.

In addition to the bank revolving credit facilities a £50 million term loan facility was available to us, of which we drew £35 million on 6 December 2018 to partially fund the repayment of the £100.5 million corporate bond. Following the receipt of the disposal proceeds from the commercial property portfolio transaction this term loan was repaid and cancelled on 18 March 2019.

Securitised notes
During the period we used operational cash generated from the business to repay, in accordance with scheduled amortisation, £42 million (H1 2018: £40 million) of the Unique A3 and A4 securitised notes, and purchased and cancelled £nil (H1 2018: £4 million) securitised notes. As at 31 March 2019 the value of notes outstanding within the securitisation was £862 million (H1 2018: £945 million). The notes are scheduled to amortise over a period to 2032 and attract interest rates of between 5.7% and 7.4%.

In accordance with amendments to the permitted disposal clause within the Unique securitisation, agreed with noteholders on 6 July 2018, the proceeds of the disposal from non-tied pubs out of the Unique estate are to be used to repay Unique securitised notes in class order with the applicable redemption premium. The total proceeds, net of costs, from the sale of the 348 commercial properties on 14 March 2019 was £332.7 million, of which £175.8 million related to the sale of properties with the Unique estate. As at 31 March 2019 these proceeds are held on deposit as part of the total cash balance held within the Unique securitisation of £295 million (H1 2018: £113 million). The £175.8 million of proceeds are expected to be used in the full prepayment of the Class A3 Notes, part prepayment of the Class A4 Notes and in meeting associated early redemption premiums which are estimated at approximately £14 million. Prepayment will take place on the earliest possible date, which is expected to be 28 June 2019.

W S Townsend
13 May 2019

Group income statement

	Notes	**Unaudited Six months ended 31 March 2019 £m**	Unaudited Six months ended 31 March 2018 £m	Audited Year ended 30 September 2018 £m
Revenue		**353**	330	695
Operating costs before depreciation and amortisation		**(214)**	(194)	(413)
EBITDA *		**139**	136	282
Depreciation and amortisation		**(10)**	(9)	(19)
Operating profit		**129**	127	263
Profit on sale of controlling interest in subsidiary undertaking		**-**	-	1
(Loss)/profit on sale of property		**(8)**	2	2
Goodwill allocated to disposals		**(31)**	(4)	(8)
Net loss on sale of property	4	**(39)**	(2)	(6)
Movements in valuation of the estate and related assets	4	**(5)**	(6)	(19)
Net finance costs		**(72)**	(74)	(152)
Profit before tax		**13**	45	87
Taxation	5	**(4)**	(8)	(15)
Profit after tax attributable to members of the Parent Company		**9**	37	72
Earnings per share	6			
Basic		**1.9p**	7.9p	15.2p
Basic diluted		**1.9p**	7.6p	14.7p

* Earnings before finance costs, taxation, depreciation and amortisation

Group statement of comprehensive income

	Unaudited Six months ended 31 March 2019 £m	Unaudited Six months ended 31 March 2018 £m	Audited Year ended 30 September 2018 £m
Profit for the period	**9**	37	72
Items that will not be reclassified to the income statement:			
Unrealised surplus on revaluation of pub estate	**-**	-	8
Revaluation of assets on transfer to non-current assets held for sale	**-**	(1)	-
Movement in deferred tax liability related to revaluation of the estate	**(2)**	2	-
Other comprehensive (loss)/income for the period net of tax	**(2)**	1	8
Total comprehensive income for the period attributable to members of the Parent Company	**7**	38	80

Group balance sheet

	Unaudited 31 March 2019 £m	Unaudited 31 March 2018 £m	Audited 30 September 2018 £m
Non-current assets			
Goodwill	**273**	308	304
Intangible assets: operating lease premiums	**8**	9	9
Property, plant and equipment	**3,195**	3,292	3,228
Investment property	**44**	288	368
Trade receivables	**3**	2	3
	3,523	3,899	3,912
Current assets			
Inventories	**4**	3	3
Trade and other receivables	**52**	57	55
Financial asset	**3**	-	3
Cash	**338**	150	158
	397	210	219
Non-current assets held for sale	**36**	26	13
Total assets	**3,956**	4,135	4,144
Current liabilities			
Trade and other payables	**(199)**	(185)	(207)
Current tax payable	**(11)**	(11)	(10)
Financial liabilities	**(117)**	(183)	(186)
Pension	**(1)**	(2)	(1)
Provisions	**(1)**	(1)	(1)
	(329)	(382)	(405)
Non-current liabilities			
Financial liabilities	**(1,948)**	(2,055)	(2,006)
Provisions	**(5)**	(4)	(5)
Deferred tax	**(170)**	(173)	(174)
	(2,123)	(2,232)	(2,185)
Total liabilities	**(2,452)**	(2,614)	(2,590)
Net assets	**1,504**	1,521	1,554
Equity			
Called up share capital	**13**	13	13
Share premium account	**486**	486	486
Revaluation reserve	**669**	747	751
Capital redemption reserve	**12**	12	12
Merger reserve	**77**	77	77
Treasury share reserve	**(227)**	(227)	(227)
Other reserve	**(4)**	19	(2)
Profit and loss account	**477**	393	443
Equity attributable to members of the Parent Company	**1,503**	1,520	1,553
Non-controlling interests	**1**	1	1
Total equity	**1,504**	1,521	1,554

Group statement of changes in equity

	Share capital £m	Share premium account £m	Revaluation reserve £m	Capital redemption reserve £m	Merger reserve £m	Treasury share reserve £m	Other reserve £m	Profit and loss account £m	Equity attributable to members of the Parent Company £m	Non-controlling interests £m	Total £m
At 1 October 2018	**13**	**486**	**751**	**12**	**77**	**(227)**	**(2)**	**443**	**1,553**	**1**	**1,554**
Profit for the period	-	-	-	-	-	-	-	**9**	**9**	-	**9**
Other comprehensive income	-	-	**(2)**	-	-	-	-	-	**(2)**	-	**(2)**
Total comprehensive income	-	-	**(2)**	-	-	-	-	**9**	**7**	-	**7**
Transfer of realised revaluation surplus	-	-	**(97)**	-	-	-	-	**97**	-	-	-
Transfer of deferred tax	-	-	**17**	-	-	-	-	**(17)**	-	-	-
Share option entitlements exercised in the period	-	-	-	-	-	-	**1**	**(1)**	-	-	-
Purchase of own shares into Employee Benefit Trust	-	-	-	-	-	-	**(3)**	-	**(3)**	-	**(3)**
Share-based expense recognised in operating profit	-	-	-	-	-	-	-	**1**	**1**	-	**1**
Share buybacks	-	-	-	-	-	-	-	**(25)**	**(25)**	-	**(25)**
Share buyback commitments	-	-	-	-	-	-	-	**(30)**	**(30)**		**(30)**
At 31 March 2019	**13**	**486**	**669**	**12**	**77**	**(227)**	**(4)**	**477**	**1,503**	**1**	**1,504**
At 1 October 2017	13	486	747	12	77	(227)	18	376	1,502	1	1,503
Profit for the period	-	-	-	-	-	-	-	37	37	-	37
Other comprehensive income	-	-	1	-	-	-	-	-	1	-	1
Total comprehensive income	-	-	1	-	-	-	-	37	38	-	38
Transfer of realised revaluation surplus	-	-	(2)	-	-	-	-	2	-	-	-
Transfer of deferred tax	-	-	1	-	-	-	-	(1)	-	-	-
Share option entitlements exercised in the period	-	-	-	-	-	-	2	(2)	-	-	-
Purchase of own shares into Employee Benefit Trust	-	-	-	-	-	-	(1)	-	(1)	-	(1)
Share-based expense recognised in operating profit	-	-	-	-	-	-	-	1	1	-	1
Share buybacks	-	-	-	-	-	-	-	(20)	(20)	-	(20)
At 31 March 2018	13	486	747	12	77	(227)	19	393	1,520	1	1,521

Group statement of changes in equity (continued)

	Share capital £m	Share premium account £m	Revaluation reserve £m	Capital redemption reserve £m	Merger reserve £m	Treasury share reserve £m	Other reserve £m	Profit and loss account £m	Equity attributable to members of the Parent Company £m	Non-controlling interests £m	Total £m
At 1 October 2017	13	486	747	12	77	(227)	18	376	1,502	1	1,503
Profit for the year	-	-	-	-	-	-	-	72	72	-	72
Other comprehensive income	-	-	8	-	-	-	-	-	8	-	8
Total comprehensive income	-	-	8	-	-	-	-	72	80	-	80
Transfer of realised revaluation surplus	-	-	(7)	-	-	-	-	7	-	-	-
Transfer of deferred tax	-	-	3	-	-	-	-	(3)	-	-	-
Share option entitlements exercised in the year	-	-	-	-	-	-	2	(2)	-	-	-
Share-based expense recognised in operating profit	-	-	-	-	-	-	-	2	2	-	2
Purchase of own shares into Employee Benefit Trust	-	-	-	-	-	-	(1)	-	(1)	-	(1)
Share buybacks	-	-	-	-	-	-	-	(20)	(20)	-	(20)
Convertible bond redemption	-	-	-	-	-	-	(21)	11	(10)	-	(10)
At 30 September 2018	13	486	751	12	77	(227)	(2)	443	1,553	1	1,554

Group cash flow statement

	Unaudited Six months ended 31 March 2019 £m	Unaudited Six months ended 31 March 2018 £m	Audited Year ended 30 September 2018 £m
Cash flows from operating activities			
Operating profit	**129**	127	263
Depreciation and amortisation	**10**	9	19
Share-based expense recognised in profit	**1**	1	2
Increase in receivables	**5**	(5)	(7)
Increase/(decrease) in payables	**(4)**	(6)	3
Increase in inventories	**(1)**	(1)	(1)
Increase in provisions	**-**	-	1
	140	125	280
Tax paid	**(8)**	-	(9)
Net cash flows from operating activities	**132**	125	271
Cash flows from investing activities			
Payments made on improvements to public houses	**(43)**	(40)	(75)
Payments to acquire other property, plant and equipment	**(2)**	(2)	(6)
Receipts from sale of property	**355**	34	66
Net cash flows from investing activities	**310**	(8)	(15)
Cash flows from financing activities			
Interest paid	**(73)**	(72)	(143)
Debt extinguishment costs	**-**	-	(7)
Debt restructuring costs	**(2)**	-	(7)
Payments to acquire own debt	**-**	(5)	(5)
Payments to acquire own shares	**(28)**	(21)	(21)
New loans	**240**	80	340
Repayment of loans	**(399)**	(100)	(406)
Net cash flows from financing activities	**(262)**	(118)	(249)
Net increase/(decrease) in cash	**180**	(1)	7
Cash at start of period	**158**	151	151
Cash at end of period	**338**	150	158

Notes

1. Publication of non-statutory accounts

The financial information contained in this half-yearly financial report, which is unaudited, does not constitute statutory accounts in accordance with the Companies Act 2006. The financial information for the year ended 30 September 2018 is extracted from the statutory accounts for that year which have been delivered to the Registrar of Companies, on which the auditors issued an unqualified opinion that did not include an emphasis of matter reference or statements under section 498(2) or (3) of the Companies Act 2006.

2. Accounting policies

This interim report has been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and with IAS 34 'Interim Financial Reporting' and reflects the accounting policies set out in the notes to the 30 September 2018 Annual Report and Accounts which have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

New standards that are applicable for the accounting period beginning on 1 October 2018:

IFRS 9: Financial instruments
IFRS 9 covers the classification, measurement and derecognition of financial assets and financial liabilities, together with a new hedge accounting model and a new expected credit loss model for calculating impairment of financial assets.

The Group has concluded that adoption of this standard has not had a material impact on the recognition of financial assets and liabilities.

IFRS 15: Revenue from contracts with customers
The core principle of IFRS 15 is that an entity will recognise revenue in line with the transfer of each element of promised goods or services in a contract to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those individual elements of goods or services. This core principle is delivered in a five-step model framework that involves allocating the transaction price to each performance condition within a contract.

The Group has analysed all material revenue streams and concluded that the application of IFRS 15 has not had a material impact on the recognition of revenue for any of the revenue streams of the Group. As reported in the 30 September 2018 financial statements, adoption of the new standard has resulted in additional disclosure requirements. As such separate disaggregation of revenue into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors has been presented within the notes to the interim financial statements.

The Group is in the process of finalising the effect of IFRS 16: Leases which will be adopted in the year ended 30 September 2020.

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that appropriately represents those transactions. It requires lessees to recognise assets and liabilities for all leases unless the underlying asset has a low value or the lease term is 12 months or less.

On adoption the Group will recognise a right of use asset and a lease liability based on the net present value of the payments required under each of its leases. The operating lease charge, currently recognised in EBITDA will be replaced by the depreciation of the right of use asset and interest on the lease liability. As well as a change to the line items in the income statement it is also expected to change the profile of the net charge recognised in the income statement over the lease term.

2. Accounting policies (continued)

The Group has made good progress on its transition project however whilst calculations are being validated and final transition adjustments being agreed it is not currently practicable to provide a reasonable estimate of the full impact of the standard at this stage.

Going concern

The Directors have considered the Group's financial resources including a review of the medium-term financial plan, which includes a review of the Group's cash flow forecasts for the period of at least 12 months from the date of approval of this statement and the principal risks facing the Group.

Based on the outcome of the above considerations the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the period of the review. For this reason the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

3. Segmental analysis

The Group has five distinguishable operating segments being Publican Partnerships, Commercial Properties, Bermondsey Pub Company, Craft Union Pub Company and Managed Investments which reflect the different nature of income earned, types of property and profile of customers. The five segments have been identified because the Chief Operating Decision Maker (CODM) regularly reviews discrete financial information relating to them.

Operating segments are aggregated when they have similar economic characteristics and therefore Bermondsey Pub Company, Craft Union Pub Company and Managed Investments have been combined as they represent income earned from the direct operation of pubs albeit through differing trading styles. This results in three reportable segments being Publican Partnerships, Commercial Properties and Managed. The CODM reviews the financial results by segment to underlying EBITDA and this therefore provides the basis for the disclosures below.

All of the Group's revenue is generated in the United Kingdom and is not further segmented based on location, therefore no geographical segmental analysis has been provided. The balance sheet is not reviewed by the CODM on a segmented basis and therefore no disclosure has been made in relation to segmental assets and liabilities.

Six months ended 31 March 2019	**Publican Partnerships £m**	**Commercial Properties £m**	**Managed £m**	**Central £m**	**Total £m**
Revenue:					
Drink revenue	**175**	**-**	**86**	**-**	**261**
Rent revenue	**59**	**14**	**-**	**-**	**73**
Food revenue	**-**	**-**	**10**	**-**	**10**
Revenue from amusement and other machines	**4**	**-**	**4**	**-**	**8**
Other revenue	**-**	**-**	**1**	**-**	**1**
	238	**14**	**101**	**-**	**353**
Operating costs before depreciation and amortisation	**(95)**	**-**	**(81)**	**(37)**	**(213)**
Underlying EBITDA	**143**	**14**	**20**	**(37)**	**140**
Non-underlying operating costs before depreciation and amortisation					**(1)**
Depreciation and amortisation					**(10)**
Net loss on sale of property					**(39)**
Movements in valuation of the estate and related assets					**(5)**
Net finance costs					**(72)**
Profit before tax					**13**
Taxation					**(4)**
Profit after tax					**9**

3. Segmental analysis (continued)

Six months ended 31 March 2018	Publican Partnerships £m	Commercial Properties £m	Managed £m	Central £m	Total £m
Revenue:					
Drink revenue	184	-	56	-	240
Rent revenue	63	13	-	-	76
Food revenue	-	-	7	-	7
Revenue from amusement and other machines	4	-	2	-	6
Other revenue	-	-	1	-	1
	251	13	66	-	330
Operating costs before depreciation and amortisation	(100)	-	(55)	(36)	(191)
Underlying EBITDA	151	13	11	(36)	139
Non-underlying operating costs before depreciation and amortisation					(3)
Depreciation and amortisation					(9)
Net loss on sale of property					(2)
Movements in valuation of the estate and related assets					(6)
Net finance costs					(74)
Profit before tax					45
Taxation					(8)
Profit after tax					37

Year ended 30 September 2018	Publican Partnerships £m	Commercial Properties £m	Managed £m	Central £m	Total £m
Revenue:					
Drink revenue	383	1	130	-	514
Rent revenue	125	26	-	-	151
Food revenue	-	-	15	-	15
Revenue from amusement and other machines	8	-	5	-	13
Other revenue	-	-	2	-	2
	516	27	152	-	695
Operating costs before depreciation and amortisation	(209)	-	(124)	(75)	(408)
Underlying EBITDA	307	27	28	(75)	287
Non-underlying operating costs before depreciation and amortisation					(5)
Depreciation and amortisation					(19)
Profit on sale of controlling interest in subsidiary undertaking					1
Net loss on sale of property					(6)
Movements in valuation of the estate and related assets					(19)
Net finance costs					(152)
Profit before tax					87
Taxation					(15)
Profit after tax					72

4. Non-underlying items

The Group uses adjusted figures as key performance measures in addition to those reported under IFRS as management believe these measures better reflect the ongoing trading transactions and enable better comparability and accountability for performance for them and other stakeholders. Adjusted figures exclude non-underlying items which comprise exceptional items, non-recurring items and other adjusting items.

Non-underlying items include reorganisation costs, assignment premiums paid to a publican in order to take the assignment of a lease or to break a lease at any point other than at renewal during the period of our strategic review, the profit/loss on sale of property, the movement in valuation of the estate and related assets, costs incurred in respect of refinancing and the gain/loss on purchase of own debt.

4. Non-underlying items (continued)

The adjusted figures are derived from the reported figures under IFRS as follows:

	Unaudited Six months ended 31 March 2019			Unaudited Six months ended 31 March 2018			Audited Year ended 30 September 2018		
	Underlying items £m	**Non-underlying items £m**	**Total £m**	Underlying items £m	Non-underlying items £m	Total £m	Underlying items £m	Non-underlying items £m	Total £m
Revenue	**353**	**-**	**353**	330	-	330	695	-	695
Operating costs before depreciation and amortisation	**(213)**	**(1)**	**(214)**	(191)	(3)	(194)	(408)	(5)	(413)
EBITDA	**140**	**(1)**	**139**	139	(3)	136	287	(5)	282
Depreciation and amortisation	**(10)**	**-**	**(10)**	(9)	-	(9)	(19)	-	(19)
Operating profit/(loss)	**130**	**(1)**	**129**	130	(3)	127	268	(5)	263
Profit on sale of controlling interest in subsidiary undertaking	**-**	**-**	**-**	-	-	-	-	1	1
(Loss)/profit on sale of property	**-**	**(8)**	**(8)**	-	2	2	-	2	2
Goodwill allocated to disposals	**-**	**(31)**	**(31)**	-	(4)	(4)	-	(8)	(8)
Net loss on sale of property	**-**	**(39)**	**(39)**	-	(2)	(2)	-	(6)	(6)
Movements in valuation of the estate and related assets	**-**	**(5)**	**(5)**	-	(6)	(6)	-	(19)	(19)
Net finance costs	**(71)**	**(1)**	**(72)**	(73)	(1)	(74)	(146)	(6)	(152)
Profit/(loss) before tax	**59**	**(46)**	**13**	57	(12)	45	122	(35)	87
Taxation	**(10)**	**6**	**(4)**	(10)	2	(8)	(22)	7	(15)
Profit/(loss) after tax attributable to members of the Parent Company	**49**	**(40)**	**9**	47	(10)	37	100	(28)	72
Earnings per share									
Underlying	**10.8p**			9.8p			21.2p		
Underlying diluted	**10.6p**			9.4p			20.0p		

4. Non-underlying items (continued)

Those items identified as non-underlying are explained further below:

a) Operating costs

A charge of £1 million (31 March 2018: £3 million, 30 September 2018: £5 million) has been incurred in respect of assignment premiums paid and reorganisation costs.

During the period of our strategic evolution, assignment premiums paid to a publican in order to take the assignment of a lease or to break a lease at any point other than at renewal would be treated as non-underlying. These costs have been incurred following the strategic review and the introduction of the Pubs Code in July 2016 and are not considered to be part of the underlying business as they are not expected to recur once the realignment of properties has been completed. This treatment is expected to apply for five years following the implementation of the Pubs Code which will allow for a full cycle of rent reviews over which time the Group will assess the optimal location for each asset which may include the payment of an assignment premium to allow the Group access to the property. This resulted in a non-underlying charge for the period ended 31 March 2019 of £1 million (31 March 2018: £3 million, 30 September 2018: £4 million).

In the prior year to 30 September 2018 restructuring costs of £1 million were incurred as we concluded the reorganisation of a number of support teams to meet our future needs and these charges were allocated to non-underlying as they are one-off in nature.

b) Profit on sale of controlling interest in subsidiary undertaking

In the prior year the Group completed the sale of its 51% controlling interest in Hunky Dory Pubs Limited, a company established in May 2016 with Oakman Inns to operate pubs, generating a profit on disposal of £1 million.

c) Net loss on sale of property

	Unaudited Six months ended 31 March 2019 £m	Unaudited Six months ended 31 March 2018 £m	Audited Year ended 30 September 2018 £m
Profit on sale of property, plant and equipment	**2**	5	11
Loss on sale of property, plant and equipment	**(3)**	(3)	(8)
Net (loss)/profit on sale of property, plant and equipment	**(1)**	2	3
Profit on sale of investment property	**23**	-	-
Loss on sale of investment property	**(30)**	-	(1)
Net loss on sale of investment property	**(7)**	-	(1)
Net (loss)/profit on sale of property before goodwill allocation	**(8)**	2	2
Goodwill allocated to disposals	**(31)**	(4)	(8)
Net loss on sale of property	**(39)**	(2)	(6)

On 14 March 2019 the Group completed on the disposal of a portfolio of 348 properties and their associated non-licensed premises in a single transaction to a subsidiary of Davidson Kempner Capital Management LP. All properties were trading within the commercial properties segment. The net cash proceeds from the sale of £333 million are being predominantly used to reduce debt. The loss on disposal of the transaction of £7 million includes fees of £4 million, a provision for future capital payments of £2 million and a charge of £1 million being the difference between proceeds and book value. In addition £28 million of goodwill was allocated to these disposals.

4. Non-underlying items (continued)

Further to this transaction 70 individual properties (31 March 2018: 91 properties, 30 September 2018: 174 properties) and various other plots of land with a book value of £24 million (31 March 2018: £32 million, 30 September 2018: £64 million) were sold generating gross proceeds of £26 million (31 March 2018: £38 million, 30 September 2018: £71 million) which, after taking account of disposal costs, resulted in an overall loss of £1 million (31 March 2018: profit of £2 million, 30 September 2018: profit of £2 million).

In accordance with IAS 36, purchased goodwill is allocated to all pubs disposed of, based on the relative value of the disposal to pubs retained. Accordingly, goodwill of £31 million (31 March 2018: £4 million, 30 September 2018: £8 million) has been allocated to the total 418 properties (31 March 2018: 91 properties, 30 September 2018: 174 properties) disposed of during the period.

d) Movements in valuation of the estate and related assets

	Unaudited Six months ended 31 March 2019 £m	Unaudited Six months ended 31 March 2018 £m	Audited Year ended 30 September 2018 £m
Movements in property, plant and equipment from revaluation of the estate	**-**	-	(23)
Movement in investment property from revaluation of the estate	**-**	-	15
Revaluation of non-current assets held for sale	**(5)**	(6)	(11)
	(5)	(6)	(19)

In respect of assets revalued on transfer to non-current assets held for sale, a total net write-down of £5 million (31 March 2018: £7 million, 30 September 2018: £11 million) has been recorded. Of this net write-down, £nil (31 March 2018: £1 million, 30 September 2018: £nil) has been debited to other comprehensive income and £5 million (31 March 2018: £6 million, 30 September 2018: £11 million) has been charged to the income statement as a non-underlying item. At 31 March 2019, there are 89 properties (31 March 2018: 83 properties, 30 September 2018: 47 properties) included within non-current assets held for sale which have been recorded at the lower of carrying value on transfer to non-current assets held for sale, as assessed at the time of transfer, and fair value less costs to sell. The 89 properties categorised as non-current assets held for sale include the 22 leasehold properties that comprise the second tranche of the Commercial Properties disposal.

Following discussions with our external valuers there is no indication that values recorded in property, plant and equipment and investment property in respect of the estate would be materially different as at 31 March 2019. A full valuation of the total pub estate is undertaken at the end of each financial year.

4. Non-underlying items (continued)

e) Net finance costs

During the period ended 31 March 2019, £1 million of unamortised fees relating to the term loan have been recognised in non-underlying finance costs following the extinguishment of this financial liability. There is no cash impact in the period from this write off.

In the prior period, Unique securitised bonds with a nominal and book value of £4 million were purchased and cancelled for the equivalent price of £1.14 for each £1 of outstanding nominal value, generating a loss of £1 million which is included in non-underlying finance costs in the six months ended 31 March 2018 and year ended 30 September 2018.

Also in the prior year, on 6 July 2018 the Group concluded a consent solicitation exercise to amend certain terms within the Unique securitisation documents to allow greater flexibility over disposals of pubs that are not subject to the tie. This was accounted for as a non-substantial modification and the total costs and cash outflow of £4 million were included in the carrying value of the Unique bonds.

Furthermore, on 14 August 2018 the Group completed an increase and two-year extension of its £140 million existing revolving credit facility (RCF). The new maximum facility is £150 million and it is now available until August 2022. This was accounted for as a non-substantial modification and the total costs and cash outflow of £1 million were included in the carrying value of the RCF.

On 25 September 2018 the Group issued a new £150 million bond and at the same time a tender offer for the £97 million outstanding convertible bonds. The proceeds of the bond were received on 25 September 2018. The bond has a fixed coupon of 7.5% and is repayable in March 2024. The costs incurred of £4 million (£2 million cash outflow in the six months ended 31 March 2019 and £2 million cash outflow in the prior year) have been included in the carrying value of the debt.

The tender offer for the convertible bonds resulted in £95.4 million of the bonds being redeemed at a premium of 107% of their par value. Of the premium and fees associated with the tender offer totalling £7 million, £5 million was charged to the income statement in non-underlying finance costs in the year ended 30 September 2018, whilst £2 million was recognised in the other reserve representing the equity element of the redemption. On 27 September 2018 the Group issued an optional redemption notice to redeem the remaining £1.6 million of convertible bonds at par. This was completed during the six month period ended 31 March 2019.

5. Taxation

The total tax charge of £4 million (31 March 2018: £8 million, 30 September 2018: £15 million) represents an underlying charge of £10 million (31 March 2018: £10 million, 30 September 2018: £22 million) and a non-underlying credit of £6 million (31 March 2018: £2 million, 30 September 2018: £7 million).

a) Underlying tax

The underlying tax charge of £10 million (31 March 2018: £10 million, 30 September 2018: £22 million) equates to an effective tax rate of 17.5% (31 March 2018: 18%, 30 September 2018: 18%). The effective tax rate does not include the effect of non-underlying items.

b) Non-underlying tax

The items below are classified as non-underlying due to their size and either because they do not relate to any income or expense recognised in the income statement in the same period or because they relate to non-underlying items.

A deferred tax liability has been recognised on the balance sheet relating to the estate. On transition to IFRS, the Group elected to apply IFRS 3 retrospectively to acquisitions from 1 January 1999 which led to an increase in goodwill in respect of this deferred tax of £330 million. As this pre-acquisition liability changes due to capital gains indexation relief and changes in the rate of UK tax, the movement is recognised in the income statement. The impact of capital gains indexation relief is calculated based on the movement in the Retail Price Index (RPI). A credit of £nil (31 March 2018: £1 million, 30 September 2018: £1 million) has been recognised in the income statement as non-underlying due to its size and because it does not relate to any income or expense recognised in the income statement in the same period.

A deferred tax credit of £6 million (31 March 2018: £1 million, 30 September 2018: £5 million) relating to the movements in valuation of the estate and related assets, net profit/loss on disposal of properties and accelerated capital allowances has been recognised in the income statement.

A non-underlying tax credit of £nil (31 March 2018: £nil, 30 September 2018: £1 million) has been recognised in relation to all other non-underlying items in the income statement. The total non-underlying tax credit is therefore £6 million (31 March 2018: £2 million, 30 September 2018: £7 million).

Upon the disposal of 348 properties and their associated non-licenced premises on 14 March 2019, the Group has provisionally calculated the total net chargeable gain on this transaction to be £103 million. The Group does not expect there to be an amount of tax payable as a result of this disposal due to reliefs and capital losses available.

c) Tax recognised in other comprehensive income

A charge of £2 million (31 March 2018: credit of £2 million, 30 September 2018: £nil) has been recognised in other comprehensive income related to the tax on the revalued estate.

6. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders for the period divided by the weighted average number of equity shares in issue during the period after excluding shares held by trusts relating to employee share options and shares held in treasury.

Underlying earnings per share, which the directors believe reflects the underlying performance of the Group, is based on profit attributable to ordinary shareholders adjusted for the effects of non-underlying items net of tax, divided by the weighted average number of equity shares in issue during the period after excluding shares held by trusts relating to employee share options and shares held in treasury.

The dilution adjustments for share options and the convertible bonds are reviewed independently and where they are dilutive to the calculation of basic diluted earnings per share they are included in the calculation of both basic diluted and underlying diluted earnings per share.

For the period ended 31 March 2019, the adjustment for share options is assessed as being dilutive (31 March 2018: dilutive, 30 September 2018: dilutive) which has resulted in an adjustment to the weighted average number of equity shares in issue during the period of 5.3 million shares (31 March 2018: 2.2 million shares, 30 September 2018: 5.4 million shares).

For the period ended 31 March 2019, the adjustment for the convertible bonds is assessed as being dilutive (31 March 2018: dilutive, 30 September 2018: dilutive) which has resulted in an adjustment to profit in the calculation of diluted earnings per share of £nil (31 March 2018: £2.9 million, 30 September 2018: £5.7 million) for the post tax interest cost associated with the convertible bonds and an adjustment to the weighted average number of equity shares in issue during the period of 0.2 million shares (31 March 2018: 50.8 million shares, 30 September 2018: 50.1 million shares).

Following redemption of 98% of the nominal value of convertible bonds in the year ended 30 September 2018 and the redemption of the remaining balance in the period ended 31 March 2019, a pro-rated number of shares has been taken into account in the calculation of diluted weighted average number of shares and a pro-rated value of post-tax interest cost has been added back to the profit in the period.

	Unaudited Six months ended 31 March 2019		Unaudited Six months ended 31 March 2018		Audited Year ended 30 September 2018	
	Earnings £m	**Per share amount p**	Earnings £m	Per share amount p	Earnings £m	Per share amount p
Basic earnings per share	**9.0**	**1.9**	37.4	7.9	71.7	15.2
Basic diluted earnings per share	**9.0**	**1.9**	40.3	7.6	77.4	14.7
Underlying earnings per share	**49.5**	**10.8**	46.7	9.8	99.7	21.2
Underlying diluted earnings per share	**49.5**	**10.6**	49.6	9.4	105.4	20.0

	No. of shares m	No. of shares m	No. of shares m
Weighted average number of shares	**460.1**	476.1	470.9
Dilutive share options	**5.3**	2.2	5.4
Dilutive convertible bonds shares	**0.2**	50.8	50.1
Diluted weighted average number of shares	**465.6**	529.1	526.4

7. Additional cash flow information

a) Reconciliation of net cash flow to movement in net debt

	Unaudited Six months ended 31 March 2019 £m	Unaudited Six months ended 31 March 2018 £m	Audited Year ended 30 September 2018 £m
Increase/(decrease) in cash in the period	**180**	(1)	7
Cash outflow from change in debt	**159**	25	71
Debt restructuring costs	**2**	-	7
Change in net debt resulting from cash flows	**341**	24	85
Movement in accrual for debt restructuring costs	**(2)**	-	2
Amortisation of issue costs and discounts/premiums on long-term loans	**(3)**	(1)	(4)
Amortisation of the fair value adjustments of securitised bonds	**1**	2	4
Loss on purchase of own debt	**-**	(1)	(1)
Convertible loan note effective interest	**-**	(2)	(3)
Movement in other reserve arising on convertible bond issue	**-**	-	(7)
Movement in net debt in the period	**337**	22	76
Net debt at start of period	**(2,034)**	(2,110)	(2,110)
Net debt at end of period	**(1,697)**	(2,088)	(2,034)

b) Analysis of net debt

	Unaudited Six months ended 31 March 2019 £m	Unaudited Six months ended 31 March 2018 £m	Audited Year ended 30 September 2018 £m
Bank borrowings	**-**	(75)	(15)
Corporate bonds	**(1,175)**	(1,222)	(1,277)
Securitised bonds	**(862)**	(945)	(904)
Gross debt	**(2,037)**	(2,242)	(2,196)
Cash	**338**	150	158
Underlying net debt	**(1,699)**	(2,092)	(2,038)
Capitalised debt issue costs	**17**	14	20
Fair value adjustments on acquisition of bonds	**(12)**	(15)	(13)
Convertible loan note effective interest	**-**	(13)	-
Convertible bonds reserve	**-**	21	-
Finance lease payables	**(3)**	(3)	(3)
Net debt	**(1,697)**	(2,088)	(2,034)
Balance sheet:			
Current financial liabilities	**(117)**	(183)	(186)
Non-current financial liabilities	**(1,948)**	(2,055)	(2,006)
Cash	**338**	150	158
Add back: Share buyback commitment	**30**	-	-
Net debt	**(1,697)**	(2,088)	(2,034)

Underlying net debt represents amounts repayable to banks and other lenders net of cash retained in the business. Cash includes £295 million held in the securitised Unique sub-group, of which £65 million is held in a securitised reserve account.

8. Financial instruments

All financial assets and liabilities are carried at amortised cost. The fair values of all financial instruments are either equal to, or not materially different from their book values, with the exception of corporate bonds and securitised bonds. The book values and fair values of these financial instruments are summarised below:

	Unaudited Six months ended 31 March 2019		Unaudited Six months ended 31 March 2018		Audited Year ended 30 September 2018	
	Book value	**Fair value**	Book value	Fair value	Book value	Fair value
	£m	**£m**	£m	£m	£m	£m
Corporate bonds	**1,168**	**1,248**	1,208	1,312	1,269	1,367
Securitised bonds	**866**	**927**	953	1,014	908	967

9. Related party transactions

There have been no related party transactions requiring disclosure during the period or prior periods.

10. Commitments for the purchase of property, plant and equipment

At 31 March 2019, the Group had entered into contractual commitments to purchase £11 million (31 March 2018: £9 million, 30 September 2018: £6 million) of property, plant and equipment.

11. Seasonality of operations

The business is subject to seasonal fluctuations dependant on public holidays and the weather.

12. Share buybacks

On 20 November 2018 the Group launched a £20 million share buyback programme. During the period on 22 January 2019 the programme was completed with the Group having purchased and cancelled 10.6 million shares at an average price of £1.89.

A further share buyback programme of £35 million was announced on 15 March 2019. During the period to 31 March 2019 the Group has purchased and cancelled 2.1 million shares at an average price of £2.13, totalling £5 million. A £30 million share buyback commitment has been recognised on the balance sheet at 31 March 2019 for the amount that is unspent at that date.

In the prior year the Group executed a £20 million share buyback programme that commenced on 21 November 2017 and finished on 22 March 2018. During this programme the Group bought back and cancelled 15 million shares at an average price of £1.32.

13. Post balance sheet events

On 13 May 2019 the Group approved an additional £30 million share buyback to deliver a total programme of £85 million in the current financial year.

14. Alternative Performance Measures (APMs)

Like-for-like Publican Partnerships net income

Publican Partnerships like-for-like net income of £142 million (31 March 2018: £140 million) represents underlying EBITDA for the Publican Partnerships business of £143 million (31 March 2018: £151 million) excluding £nil (31 March 2018: £3 million) of income in respect of disposals and £1 million (31 March 2018: £8 million) of net income relating to other non like-for-like net income.

Managed like-for-like sales

Managed like-for-like sales represents underlying revenue from the Managed estate of £101 million (31 March 2018: £66 million) excluding underlying revenue from those pubs that have not traded during both the six month period ended 31 March 2019 and the six month period ended 31 March 2018 post investment in their managed format of £46 million (31 March 2018: £14 million).

Average annualised net income per pub

Average annualised net income per pub represents the annualised net income for Publican Partnerships assets trading at 31 March 2019 of £295 million (31 March 2018: £312 million) divided by the total Publican Partnerships assets trading at 31 March 2019 of 3,555 properties (31 March 2018: 3,856 properties).

Publican Partnerships annualised net income of £295 million (31 March 2018: £312 million) represents the net income for the six months to 31 March 2019 of £142 million (31 March 2018: £150 million) and the net income for the six months to 30 September 2018 of £153 million (30 September 2017: £162 million).

The Publican Partnerships net income for the six months to 31 March 2019 of £142 million (31 March 2018: £150 million) represents underlying EBITDA for the Publican Partnerships business of £143 million (31 March 2018: £151 million) stated before £nil (31 March 2018: £1 million) of income in respect of disposals and £1 million (31 March 2018: £nil) of net costs relating to other non like-for-like costs.

Average annualised net income per property

Average annualised net income per property represents the annualised net income for Commercial Properties assets trading at 31 March 2019 of £4 million (31 March 2019: £24 million) divided by the total Commercial Properties assets trading at 31 March 2019 of 61 properties (31 March 2018: 351 properties).

Commercial Properties annualised net income of £4 million (31 March 2018: £24 million) represents the net income for the six months to 31 March 2019 of £2 million (31 March 2018: £12 million) and the net income for the six months to 30 September 2018 of £2 million (30 September 2017: £12 million).

The Commercial Properties net income for the six months to 31 March 2019 of £2 million (31 March 2018: £12 million) represents underlying EBITDA for the Commercial Properties business of £14 million (31 March 2018: £13 million) excluding £12 million (31 March 2018: £nil) of income in respect of disposals and £nil (31 March 2018: £1 million) of other non like-for-like income.

Managed annualised site EBITDA

Managed operations annualised average site EBITDA represents annualised EBITDA of sites that have traded post investment for more than six months of £34 million (31 March 2018: £16 million) divided by the total number of sites that have traded post investment for more than six months being 303 sites (31 March 2018: 165 sites).

Managed investments annualised average site EBITDA represents annualised EBITDA of sites that have traded post investment for more than six months of £8 million (31 March 2018: £4 million) divided by the total number of sites that have traded post investment for more than six months being 41 sites (31 March 2018: 21 sites).

14. Alternative Performance Measures (APMs) (continued)

The total Managed annualised net income above of £42 million (31 March 2018: £20 million) represents the net income for the six months to 31 March 2019 of £21 million (31 March 2018: £10 million) and the net income for the six months to 30 September 2018 of £21 million (30 September 2017: £10 million).

The Managed net income for the six months to 31 March 2019 of £21 million (31 March 2018: £10 million) represents underlying EBITDA for the Managed business of £20 million (31 March 2018: £11 million) excluding costs not allocated at site level of £3 million (31 March 2018: £2 million) and excluding EBITDA of pubs that have not traded for more than six months post investment of £2 million (31 March 2018: £3 million).

EBITDA

EBITDA represents earnings before finance costs, taxation, depreciation and amortisation.

Underlying EBITDA

Underlying EBITDA represents earnings before finance costs, taxation, depreciation and amortisation excluding non-underlying items. Non-underlying items that are excluded from underlying EBITDA include reorganisation costs and assignment premiums paid to a publican in order to take the assignment of a lease or to break a lease at any point other than at renewal during the period of our strategic review.

Underlying profit before tax

Underlying profit before tax excludes non-underlying items. Non-underlying items excluded from profit before tax include reorganisation costs, assignment premiums paid to a publican in order to take the assignment of a lease or to break a lease at any point other than at renewal during the period of our strategic review, the profit/loss on sale of property, the movement in valuation of the estate and related assets, costs incurred in respect of refinancing and the gain/loss on purchase of own debt.

Underlying earnings per share (EPS)

Underlying EPS is based on profits after tax excluding non-underlying items as explained above.

Growth driving capital investment

Growth driving capital investment is discretionary capital cash spend on the Group's assets which is intended to generate incremental income at returns ahead of our target return on investment.

Maintenance and letting capital investment

Maintenance and letting capital investment is all capital cash spend that is not growth driving capital investment, typically focused on maintaining the quality of our assets and supporting the letting programme.

Return on investment

Return on investment is measured as the incremental income delivered as a result of the investment divided by the value of the capital investment.

Unplanned business failures

Unplanned business failures are all lease and tenancy agreements that do not reach their full term, where failure is not through the mutual agreement of ourselves and the departing publican. For example, through publican abandonment or via legal proceedings.

Statement of Directors' responsibilities

The Directors confirm to the best of their knowledge that this condensed set of financial statements has been prepared in accordance with IAS 34, as adopted by the EU, and that the interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8.

The Directors of EIG are as listed in the Ei Group plc Annual Report and Accounts for the year ended 30 September 2018.

By order of the Board

W S Townsend
Chief Executive Officer
13 May 2019

N R Smith
Chief Financial Officer
13 May 2019

ADDITIONAL INFORMATION

Principal risks and uncertainties

The Board retains ultimate responsibility for the Group's risk management framework, including the on-going monitoring and review of its effectiveness, and continues to formally review these material risks to ensure that they are being appropriately managed by the executive management team.

The principal risks and uncertainties facing the Group during the period under review, and going forward for the remainder of this year, have not materially changed from those set out on pages 34 to 38 of the 2018 Annual Report and Accounts.

We have summarised the principal risks and uncertainties below, including any additional information where relevant:

General economic conditions

The Group's business operations are sensitive to economic conditions and pressures on disposable income, and whilst we await the full impact of Brexit, the impact on consumer spending remains uncertain. This could impact both the Group's profitability in our growing estate of managed houses and also publican profitability, through reduced consumer spending or increased costs, and also the carrying value of assets. The Group continues to monitor the impact of these factors and carefully considers the requirement for operational and financial support as well as the investment decisions relating to the development of our pubs.

Regulatory changes, including the regulation of the tied pub model

The Pubs Code includes a tenant's right, under certain circumstances, to seek a new MRO compliant agreement that will enable some occupational tenants to elect to opt-out of the supply tie and therefore occupy the premises on a standard commercial property lease, paying rent only. This legislation is overseen by an independent Adjudicator. On 30 April 2019 a statutory review of the Pubs Code was launched, being three years after it was introduced. The Pubs Code could impact the Group's profitability, operational strategy and relationships with publicans.

Liquidity risk

Whilst the Group continues to have a flexible financing structure, comprising of bonds and bank borrowings, the primary liquidity risks are the requirements to meet all on-going finance costs, repay the principal amounts as they fall due, fund the cash flow requirements of the business and comply with financial covenants. This includes the risk that amounts may not be able to be refinanced, if required, due to adverse market conditions. The refinancing work completed in September 2018 and the disposal of the portfolio of commercial properties in March 2019 have both served to improve the liquidity of the Group, and the next significant debt maturity is £125 million due in February 2021.

Property valuations

There is a risk that future changes in the UK property market and general economic conditions could impact the value of our portfolio or the realisations from property disposals. Our external valuers have confirmed that there is no indication of any material change to values as at 31 March 2019.

Other principal risks and uncertainties

- Health and safety
- Litigation
- People
- Supply chain management
- Systems failure
- Cyber risk

Independent Review Report to Ei Group plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2019 which comprises the Group income statement, Group statement of comprehensive income, Group balance sheet, Group statement of changes in equity, Group cash flow statement and the related notes 1-14. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
Birmingham
13 May 2019